

## When values backfire: Leadership, attribution, and disenchantment in a values-driven organization

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### Abstract

Theory on charismatic leaders suggests that shared values play an important role in promoting employee effort and organizational performance. This article proposes a theoretical model to identify conditions under which charismatic leadership and values inadvertently give rise to employee disenchantment, despite the good intentions of leaders and followers. The model integrates findings from a qualitative longitudinal study of a small advertising firm with prior research to develop new theory on unintended negative consequences of charismatic leadership. We propose that employee sensemaking triggered by strong organizational values can increase the risk of attributions of leader hypocrisy, which lead to employee disenchantment in a process we call the *hypocrisy attribution dynamic*. Value expansion, organizational tenure, and perceived benefit/harm are proposed to moderate the hypocrisy attribution dynamic, influencing the chances of negative sensemaking about leaders' behavior. This research sheds light on mechanisms through which charismatic leadership and values achieve their effects, and suggests that value expansion may be a double-edged sword—heightening followers' experience of meaning at work but also increasing the risk of subsequent disenchantment.

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Numerous studies have reported beneficial outcomes of charismatic leadership, including enhanced follower motivation, performance, commitment, satisfaction, trust in leaders, effort, and organizational citizenship behaviors (Bass, 1985; Conger, 1989, 1999; Conger & Kanungo, 1987; House, 1977; Pastor, Meindl, & Mayo, 2002; Waldman & Yammarino, 1999). According to Boal & Bryson (1988), the heart of charismatic leadership is the development and implementation of a compelling vision: one that generates follower enthusiasm by presenting novel ideas or solutions, identifying new opportunities in the environment, delineating a better future for followers, and connecting followers' needs to greater values, goals, or meanings. Although leadership in crises also can produce follower enthusiasm, Boal & Bryson (1988) argue that such crisis-produced charismatic leadership cannot be sustained beyond the crisis in the absence of subsequent visionary charismatic leadership.

Much of the extant research on charismatic leadership has focused on showing its positive effects. More recently, scholars have begun to develop theory about *how* charismatic leaders achieve these outcomes (e.g., Lord, Brown, & Freiberg, 1999; Shamir, House, & Arthur, 1993). For example, followers are theorized to identify with and be

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motivated by visions that promote the collective welfare, because such visions provide a sense of self-worth stemming from the experience of helping others or making a positive difference (Shamir et al., 1993).

This article builds on the premise that values play a crucial role in the process through which charismatic leadership influences followers. Values are defined as “shared prescriptive or proscriptive beliefs about ideal modes of behavior and end-states of existence that are activated by, yet transcend object and situation” (Rokeach, 1980, p. 262), and as such are abstractions. Charismatic leaders often invoke values or higher ideals as part of their compelling vision for an organization (Boal & Bryson, 1988; Conger & Kanungo, 1998). Indeed, Conger & Kanungo (1998, p. 158) have commented that the “idealized quality of the charismatic leader’s goals—supported by appealing rhetoric—is what distinguishes him or her from other leaders.”

## 1. The nature of values

Values are a powerful and ubiquitous presence in the lives of individuals and organizations (e.g., Chatman & Cha, 2003; Feather, 1996; Kotter & Heskett, 1992; Lord & Brown, 2001; Lydon, 1996; O’Reilly & Chatman, 1996; Rokeach, 1973; Tushman & O’Reilly, 1997; Walton, 1985). They are universal; each individual, group, and culture organizes values in a hierarchy of importance (Feather, 1996). Psychologists have noted that values, along with one’s core beliefs and identities, are a vital component of the self-concept (Lydon, 1996). Values are also considered to be essential to the experience of meaning. Furthermore, values are tied to the affective system, such that “people feel happy when their important values are fulfilled; angry when these values are frustrated” (Feather, 1996, p. 222). Recent work has found self-concordance—the pursuit of goals aligned with one’s values—to be positively associated with outcomes including job attitudes and performance, life satisfaction, and subjective well-being (Bono & Judge, 2003; Judge, Bono, Erez, & Locke, 2005; Sheldon et al., 2004).

According to Schwartz’s (1996) influential theory of the structure of values, ten universal value dimensions, such as benevolence, achievement, and tradition, underlie all values. Most organizations implicitly, and often explicitly, endorse “business” or performance-oriented values such as quality, efficiency, or profitability (Foreman & Whetten, 2002; Scott, 1992). These values rank highly on the dimension of achievement. Many organizations also espouse communal values, which emphasize the welfare and needs of employees and include mutual respect, empowerment, employee development, and participation (Cha, 2004; Chatman & Jehn, 1994; O’Reilly, Chatman, & Caldwell, 1991; Walton, 1980). These values rank highly on the dimension of benevolence.

## 2. Leadership and values

Values play a central role in charismatic leadership, as recognized in a special issue on values and leadership in *The Leadership Quarterly* (Volume 12, Issue 2). For example, Lord & Brown (2001) theorized that values influence follower affect, cognition, and behavior by interacting with follower self-concepts, noting that the specific pathways through which such effects unfold are poorly understood. Other articles in this issue examined the impact of followers’ values and personalities on their preferences for specific types of leaders (Ehrhart & Klein, 2001) and studied the impact of military cadets’ motives and personalities on observers’ ratings of the cadets’ leadership ability (Thomas, Dickson, & Bliese, 2001). Similarly, Sosik (2005) found that leaders in five organizations received higher charisma ratings when they possessed certain types of values (traditional, collectivistic work, self-transcendent, and self-enhancement). Values held by individuals thus have been studied as predictors of follower perceptions of leaders.

Overall, research on values in organizations is in nascent stages. Scholars are learning how values influence affect, behavior, and cognition (Lord & Brown, 2001; Meglino & Ravlin, 1998; Seligman, Olson, & Zanna, 1996), exploring the benefits of emphasizing shared values (e.g., Kotter & Heskett, 1992), and identifying antecedents and consequences of value congruence between individuals and organizations (Meglino & Ravlin, 1998). Of the field studies done in this area, most have been cross-sectional, and other studies (e.g., Ehrhart & Klein, 2001) have been conducted in the laboratory, inhibiting detection of longitudinal dynamics of follower perceptions of leaders. In contrast, the field-based research reported in this article is longitudinal and sheds light on how follower perceptions of charismatic leaders and organizational values may shift over time.

We seek to develop theory on how charismatic leadership affects followers through the impact of values that are contained in the leader’s vision. By analyzing qualitative field data and integrating these findings with relevant

literature from several streams of research on charismatic leadership, values, psychological contracts, and social cognition, we show how a mechanism that contributes to the positive effects of charismatic leadership (*value expansion*) can be a double-edged sword that also contributes to negative outcomes such as attributions of leader hypocrisy.

### 3. Negative outcomes of charismatic leadership

Understandably, given the focus of charismatic leadership theory on organizational benefits, less attention has been paid to unintended negative outcomes of charismatic leadership, inspiring Conger (1999, p. 172) to comment, “The liabilities of charismatic. . . leadership remain a seriously neglected area of study” and to call for longitudinal and in-depth case studies on negative outcomes. Additionally, there is almost no scholarly work, especially empirical work, on the topic of hypocrisy (Brunsson, 1989; Cha, 2004). A hypocrite is a person “who pretends to have feelings or beliefs of a higher order than his real ones. . . a dissembler, pretender” (Oxford English Dictionary, 1989). Scholars have begun to explore a related topic, the dark side of charismatic leadership, in which charismatic leaders portray themselves as self-sacrificing but in fact are self-serving in their intentions. Howell and House (e.g., House & Howell, 1992; Howell, 1988) describe self-sacrificing or socialized charismatic leaders as managing in an egalitarian fashion, empowering and developing followers, and utilizing legitimate channels of authority to implement their objectives. They describe self-serving or personalized charismatic leaders as managing in an authoritarian fashion, manipulating followers to further their own self-interest, and having little regard for legitimate channels of authority.

Recently, scholars have noted that followers’ subjective *attributions* regarding charismatic leaders’ degree of self-interest are essential to understanding followers’ reactions to self-sacrificing versus self-serving charismatic leadership (e.g., Dasborough & Ashkanasy, 2002; Gardner & Avolio, 1998; Waldman & Yammarino, 1999). In a theoretical article, Dasborough & Ashkanasy (2002) argued that employee characteristics such as mood and emotional intelligence influence the likelihood of perceiving a charismatic leader as ingenuous and self-serving (rather than genuinely motivated to improve the collective welfare). An experimental study by De Cremer (2002) suggested that this perception undermines leaders’ ability to influence followers.

Nascent research on authentic leadership is clearly relevant to the topic of hypocrisy. Leaders who are authentic “know who they are, what they believe and value, and. . . act upon those values and beliefs while transparently interacting with others” (Avolio, Gardner, Walumbwa, Luthans, & May, 2004, p. 803). Authenticity may be misinterpreted, however. Eagly (2005) noted that leaders can behave authentically—transparently expressing and behaving according to their personal values—and yet fail to influence followers who do not accord the leaders the legitimacy to promote their values. Eagly asserted that women and members of other groups historically excluded from leadership roles are vulnerable to followers not seeing them as legitimate. We further argue that leaders with strong values may be earnest in their intention to behave authentically, and yet followers may not perceive them this way.

Like Dasborough & Ashkanasy (2002), we embrace the idea that the success of charismatic leadership may hinge on followers’ subjective attributions regarding the leader’s motives. We propose specific cognitive and interpersonal processes that make leaders vulnerable to the attribution of hypocrisy with respect to organizational values, which leads, in turn, to further negative outcomes for organizations. This argument is motivated and illustrated by qualitative data collected in a longitudinal study of a small advertising firm and supported by a synthesis of prior theory from several literatures. Our model emphasizes general cognitive processes, rather than employee individual differences such as emotional intelligence. Growing recognition that follower cognitions are likely to be critical mediators in the charismatic leadership relationship (Lord & Emrich, 2001) suggests that this is a fruitful area for theoretical and empirical work.

### 4. Method

Qualitative research helps to shed light on phenomena that are poorly understood (Marshall & Rossman, 1995; Yin, 1994). Because theories about mechanisms and negative outcomes associated with charismatic leadership and values are in early stages (Conger, 1999; Lord & Emrich, 2001), the qualitative study described here inspired and enabled the development of new theory.

Our initial aim in this research was to explore the positive effects of strong organizational values and to document how employees coped with growth and change in a small, idealistic organization; the exploratory nature of the study led us later to consider and develop theory about negative outcomes, after we observed them. We thus began to explore the data to describe cognitive processes through which follower disenchantment might develop in settings with a charismatic leader and strong organizational values, despite good intentions and considerable effort to promote positive outcomes. We define disenchantment as a transition in which feelings of violation—a particular blend of disappointment and anger emotions—and loss of trust in the leader have undermined enthusiasm generated earlier by the leader's emphasis on organizational values. Violation involves not only disappointment but also “feelings of anger, resentment, bitterness, indignation, and even outrage that emanate from the perception that one has been betrayed or mistreated” (Morrison & Robinson, 1997, p. 231).

#### 4.1. *The study*

The study took place at a small advertising firm that we refer to as Maverick Advertising, located in a large city in the northeastern United States. The first author carried out two phases of field-based data collection. Phase 1 data, originally intended to explore Maverick's project-based organizational structure, group dynamics, and employee motivation, suggested that employees had very high levels of work motivation and job satisfaction. At the time (October 1994–January 1995), Maverick was 5 years old and consisted of 12 full-time employees. Phase 2, 3 years later when Maverick had grown to 31 employees, involved a second round of interviews and observation (April 1998–April 1999). The first author agreed to provide feedback to the company (as an academic researcher, not a consultant) in exchange for the ability to use disguised data.

Our use of in-depth interviews and extensive observation enabled us to uncover employees' emic perspective (Fetterman, 1989; Marshall & Rossman, 1995), or insider's perspective of reality, at Maverick. This overall approach was well suited for investigating employee cognitions and meaning in response to charismatic leadership and strong organizational values. Furthermore, our longitudinal design enabled us to follow the evolution of these responses over time. Finally, the research setting, in which a charismatic leader with good intentions and strong effort to promote positive outcomes was unable to prevent the emergence of employee disenchantment, presented a serendipitous opportunity to investigate an important and undertheorized phenomenon related to leadership and values. We seized the opportunity to investigate this phenomenon in depth using a longitudinal single-case research design, which is appropriate for exploratory research on an interesting and serendipitous research situation (Marshall & Rossman, 1995; Yin, 1994).

##### 4.1.1. *Research context*

Advertising is an unstable and competitive industry (Mayer, 1991; Pope, 1983; Stabiner, 1993) characterized by high stress and a constant “churning motion of clients, agency owners and managers, and personnel” (Pope, 1983, p. 270). Industry insiders have referred to New York City's Madison Avenue, the center and symbol of the advertising world, as “Ulcer Gulch” (Pope, 1983, p. 271). Many advertising firms are corporate and cutthroat, featuring large, hierarchical project teams (Mayer, 1991) and extensive internal politicking as employees jockey for better positions, accounts, and offices (Stabiner, 1993). It is common for advertising agencies to present a “facade of opulent success that many... deem necessary to impress potential clients” (Pope, 1983, p. 270).

Maverick Advertising explicitly strove to depart from the values endemic to this industry, emphasizing values such as employee growth and development over ostentations and internal competition. The unconventional nature of Maverick's values in its industry made them a highly salient facet of organizational life that was important to informants and that was often a primary attractor for them to the company. This increased our chances of obtaining meaningful data about how strong organizational values work.

Professional services more generally also presented a good context for this study because values are a useful motivator of performance when the quality of employee outputs is hard to assess (O'Reilly & Chatman, 1996). Professionals do work that is complex and autonomous—rendering such traditional formal control mechanisms as direct supervision impractical. Thus, professional organizations seek to hire highly trained individuals and rely on “indoctrination” for effective coordination (Mintzberg, 1993, p. 190). In sum, the high salience and relevance to performance of Maverick's values made the firm an appropriate setting for exploring the consequences of emphasizing organizational values.

#### 4.1.2. Data

Phase 1 included individual interviews with nine employees (each 30–45 min long) and 15 visits to observe meetings and the workplace more generally, for a total of approximately 36 h of on-site data collection, conducted by the first author and three research assistants. In Phase 2, the first author, frequently accompanied by a research assistant, spent approximately 48 h over the course of 26 visits observing meetings and other aspects of the workplace. We conducted 36 additional individual interviews, ranging from 30 to 100 min with 27 employees (five were interviewed twice and two were interviewed three times in this phase); interviewees in this phase included eight of the nine employees interviewed in Phase 1 (one had left the firm). Together, both phases involved about 120 h of field research.

The initial question guiding Phase 2 data collection was whether Maverick had been able to maintain high levels of employee commitment and creativity despite growth and increased maturity as a business. As described below, the preliminary data steered us in a slightly different direction as we uncovered pockets of disenchantment. The first author had returned to the site with few preconceptions and collected detailed observational, interview, and archival data on all aspects of the company that might be related to commitment or creativity. In probing the guiding question with an open mind, the interviewer asked many open-ended interview questions, including “What are the best and worst things about working at this company?” and “What factors promote and undermine your commitment and creativity?” (A sample Phase 2 interview protocol is in the Appendix.)

In Phase 2 interviews, most employees highlighted Maverick’s values as among the best aspects of the company and as important to both their commitment and creativity. At the same time, informants described as among the worst aspects of the company certain events, in the form of CEO actions, that they perceived as violations of the values he himself had articulated; they reported these as factors that undermined their commitment and creativity. As a result, the interviewer pursued the emerging theme of organizational values by asking additional, detailed questions of both the CEO and employees about their understanding of Maverick’s core values, the origins of these values, and the degree to which the values had changed or remained stable over the organization’s life.

#### 4.2. Data analysis

We used an inductive process to develop theory from qualitative data (Glaser & Strauss, 1967). The first author drew on observation and interview notes to prepare an inclusive manuscript that organized information gleaned from the organization and included detailed descriptions of the company’s norms, work processes, employment system, and supervisory and interpersonal relationships, as well as employees’ perceptions of the organization, the CEO, their fellow employees, their work, and the organization’s future. Organized into these rough categories, this manuscript served as a condensed overview of the full set of qualitative data collected.

##### 4.2.1. Development of constructs and categories

Similar to other case study research aimed at developing theory (Elsbach & Sutton, 1992; Feldman, 2000; Hargadon & Sutton, 1997), we combed through interview notes and tapes to identify recurring themes in both the CEO’s and employees’ understanding of the company’s values. We prepared tabular displays of relevant data (Miles & Huberman, 1994), drawing from five transcribed interviews with the CEO (two from Phase 1 and three from Phase 2) to create Table 1, presented in the next section. We also drew from interview notes where employees discussed Maverick’s values; these segments were transcribed, and excerpts were included in Table 2.

In this process, we observed a phenomenon of *incongruence*, the presence of two somewhat different sets of values, one described by the leader (*sent values*) and one described by employees (*expanded values*). This definition is adapted from Morrison & Robinson’s (1997) description of incongruence with respect to psychological contracts. Subsequent iterations through the data reinforced the validity of the construct of incongruence. Further, two kinds of evidence indicated that neither of the two distinct value sets (sent and expanded) changed between Phases 1 and 2: The CEO and employees indicated in interviews that the core values had changed little over Maverick’s life (with the exception of the value of diversity, which became important to the CEO in 1995), and this was further supported by comparing Phase 1 versus Phase 2 quotes about the values to find constant descriptions on both sides.

As expanded in the next section, we identified a second phenomenon that we call *hypocrisy attribution*, a pattern in which employees attributed multiple CEO actions to hypocrisy—that is, to a deliberate violation of Maverick’s values—without considering that he might have alternative, legitimate explanations for his actions. Detailed interview

notes were used to identify portions of interviews where employees described the CEO's actions; these were transcribed, and excerpts in which employees attributed leader actions to hypocrisy were included in Table 3. As we will show, in Phase 2, hypocrisy attribution emerged as a consistent explanation for all negative leader actions identified—a total of nine actions mentioned by employees in a negative light.

#### 4.2.2. *Theoretical model development*

We iteratively developed a theoretical model of antecedents and outcomes of hypocrisy attribution by combing through the qualitative data and reviewing several related literatures, to make sense of what we saw. We first explored incongruence—employees' versus the leader's understanding of Maverick's values—by using interview notes to guide us to relevant quotes illustrating this phenomenon. Second, we revisited literatures on values, social cognition, charismatic leadership, and psychological contracts to help us theorize why and under what conditions charismatic leaders and strong organizational values might set the stage for employee attributions of hypocrisy—ultimately leading to disenchantment—rather than more lenient or legitimate explanations for negatively viewed leader actions or the recognition of the possibility of error. We iterated among the data, related literature, and our emerging theory until we felt our theory effectively explained the data and incorporated relevant literature.

#### 4.2.3. *Exceptions*

Finally, in preparing data tables, we noted exceptions to our initial model. For example, a few employees interviewed did not attribute any leader actions to hypocrisy. We examined these “negative” cases carefully to develop theory about additional possible moderators, or conditions under which strong organizational values do and do not result in attributions of leader hypocrisy. After these moderating conditions were incorporated, our theoretical model seemed a sufficiently complete explanation of values-triggered disenchantment (Glaser & Strauss, 1967).

### 5. Case narrative: Value expansion as a double-edged sword

In this section, we present qualitative data in the form of a case narrative to document the processes by which leader appeals to values at Maverick initially produced positive outcomes and eventually backfired and led to disenchantment. Data tables are used to summarize the thread of this analysis and to illustrate the two core constructs of *incongruence* and *hypocrisy attribution*.

We start by illustrating the ways in which Maverick's CEO was a charismatic leader, and by describing the content of his vision and values for the organization. Next, we illustrate incongruence—a discrepancy between sent and expanded values—and then explore how this may have created a fertile ground for hypocrisy attribution and disenchantment. We analyze nine salient events in which informants' reports of ambiguous leader actions included hypocrisy attributions.

#### 5.1. *Bryant as a charismatic leader*

Charismatic leaders are those who develop and implement a vision that generates follower enthusiasm by presenting novel ideas or solutions, identifying new opportunities in the environment, delineating a better future for dissatisfied followers, and connecting followers' needs to greater values, goals, or meanings (Boal & Bryson, 1988). Maverick's founder and CEO, “John Bryant,” articulated an organizational vision with all of these qualities, and thus we characterize him as a charismatic leader.

Bryant's vision contained the idea of a “new kind” of advertising agency that would differ substantially from traditional agencies. This idea identified a new opportunity in the environment. He communicated this component of the vision through the organizational value of *being different*, or being a new breed of advertising agency that would immediately strike employees and clients as something new and fresh. Bryant presented this as a means to promote high quality work and efficient processes, as well as to attract desirable clients and employees. Consistent with this value, organizational practices included hiring only seasoned advertising professionals with deep category experience—in contrast to a common industry practice of assigning more junior employees to clients—and using a streamlined production process. Bryant also instituted a project-based billing system, rejecting an industry norm of charging a monthly retainer fee; clients would pay only for projects that they specifically commissioned.

Bryant's vision also promised a better future to employees, many of whom had previously felt dissatisfied and alienated at traditional agencies. In interviews, employees stated that their experience of alienation stemmed from their coworkers' competitive behavior and their feelings of insecurity around their career development. For example, one employee said, "It's a much different atmosphere [at Maverick] than in a traditional agency. There's not the angst level about where am I, who notices me, what's going on with my career, where will I end up, we don't get any of that nonsense." Rather than tolerating these sources of alienation, Bryant's vision linked members' need to overcome this sense of alienation to important values and meanings, namely the organizational values of *community* and *employee growth*, both of which are described in more detail below.

Bryant reported promoting the value of community, explaining that employees need to feel a sense of belonging to their company or else "it becomes harder. . . to maintain even the barest sense of loyalty" and "productivity goes down." To support this value, Maverick provided a company-wide profit-sharing plan, above-market salaries, and perks such as free lunch on Fridays and complimentary food and drinks in the kitchen. To facilitate work/life balance, Maverick norms encouraged going home at 6:00 p.m. during the week and generally eschewed working on weekends. Bryant designed the office environment without doors, to facilitate collaborative interaction and a sense of connection to the company, and through his behavior with employees established norms of humor, warmth, and mutual respect in the workplace.

Bryant also discussed the firm's commitment to *employee growth*, believing that Maverick was "a venue [for employees] to be as good as you can. . . to take a professional track as far as you can." Job design featuring high levels of autonomy, responsibility, and challenging work was one mechanism for supporting this value.

## 5.2. The CEO's vision: "Sent values"

In both phases of data collection, John Bryant was passionate and outspoken about his vision for Maverick. With considerable past success as a creative designer in mainstream ad agencies to reinforce his confidence, Bryant expounded the belief that a better workplace was possible and desirable, both for employee satisfaction and for organizational performance. He spoke at length about the firm's values with clients, employees, and visitors, and also communicated the values through company posters, client materials, and Maverick's employee handbook. In interviews, he reported spending a significant amount of time thinking about how to support the values through organizational structures and policies, echoing a theme in the literature (O'Reilly & Pfeffer, 2000; Schein, 1985; Walton, 1985).

As summarized in Table 1, Bryant's intention was to create an organization with values and operations that diverged from the "Madison Avenue" norm, in particular emphasizing values of *being different* and *unpretentiousness*. He also articulated values related to helping employees reach their potential that we summarize as *community*, *employee growth*, and *diversity*.

First, as discussed above, the value of *being different* captured the goal of being a new kind of advertising agency and included Bryant's notions of hiring seasoned professionals, using a streamlined production process, and applying a project-based billing system.

Second, the value of *unpretentiousness* was intended to facilitate optimal performance of people who hated the politics, hierarchy, and ostentations of traditional agencies. Bryant reported that this value was supported by Maverick's informal communication norms (including minimal meetings and formal memos), its location in an unglamorous warehouse district, its whimsical but understated décor, and its "blue collar" employee work shirts as a symbol of unpretentiousness. As he explained,

Our space accurately reflects the type of business that we run. When you arrive at [our address], you are very definitely in a location in which overhead is not a factor, which is very much a part of our story. We do not have stainless steel lettering. We do not have a lot of chrome with glass, a lot of swank. . . We're in a place where we can stay focused on our work.

Third and fourth, as noted above, Bryant emphasized values of *community* and *employee growth*. Fifth, as the company grew (beginning in 1995), Bryant emphasized *diversity*, or hiring employees from varied demographic backgrounds. He explained that valuing diversity promoted firm performance, because "the work at the end of the process is more three-dimensional if many different capabilities and. . . gifts are brought to bear." He supported this

Table 1  
Value articulation by Maverick's CEO

Sent values	CEO's descriptions
1) Being different	<p>“Coming out of my previous business, I knew that we had to be different. Anybody who peeked under our tent at all had to instantly know that we were going about things differently than everybody else, for marketing reasons, for positioning reasons, for branding reasons... [My vision] was... based around being... meaningfully different in a marketplace situation...”</p> <p><i>Clients who like the way we work:</i> “We really do work differently with the client than... any other agency does... We want to work with a client who wants to work with us because they like the way we work. If we get involved with someone who wants us to work differently [than this], then they're going to... attempt to compromise what our operating principles are... If we say to a client, we like to show work in very rough tissue form, and after then we do the copy, then we do the finished layout. The client says, well, I really need to see finished layout so that I know whether I like the concept or not. Instantly we know that that's not [an ideal client for us].”</p>
2) Unpretentiousness	<p>“[Our company shirts] were... the kind of shirts that the fellow who shows up to pump your septic tank would wear, a big logo on the back, working-class-looking logo, with your name stitched in over the pocket. So there was an implicit statement that we are a part of some hardworking, not-so-glamorous organization, and we have a certain uniform that we enjoy wearing. And blowing off the whole Ralph Lauren, Cole Haan sort of accoutrements of the ‘other side,’ as I think has been a focus of a lot of my energy.”</p>
3) Community	<p>“We've done goofy shirts, with our names on them, jackets and stuff... absolutely from the get-go, because it gave people a feel of belonging to something that I think is absolutely critical. When [employees] don't feel joined in some meaningful way, the pistons start misfiring. It becomes harder then to maintain even the barest sense of loyalty, productivity goes down, it doesn't feel like a fun place anymore... You find yourself just like a lot of other people, people like Dilbert in his own little cubicle world, wondering how he's connected to the soul of what's going on there, the purpose of the organization.”</p>
4) Employee growth	<p>“[I started this] company, for me—and I hope for other people—[to have] a venue to be as good as you can be. To use... all of your God-given potential, to take a professional track as far as you can.”</p>
5) Diversity	<p>“It's more of a me thing than anybody else, but as we've gotten bigger, I've been very protective of this concept of, let's get different types of people in here... I think everybody's connection to the company has to be a little bit different, special in its own kind of way, and I think the work at the end of the process is more three-dimensional if many different capabilities and sets of gifts are brought to bear.”</p>

All data are from interviews; representative quotes are selected to capture data from which each value was inferred by authors.

value by hiring a number of employees who varied in their racial background, country of origin, and sexual orientation, as well as by permitting a minority youth organization to utilize Maverick's office on weekends.

### 5.3. Employee interpretations: “Expanded values”

Employees' understanding of Maverick's values, which we refer to as the “*expanded values*,” bore an interesting relationship to the stated or “*sent values*.” As shown in Table 2, each expanded value was similar to the sent values—capturing a blend of potential implications of the sent values—but somewhat more abstract and ideological, encompassing a broader net of meanings.

First, we identified an expanded value of *equality*, which encompassed notions of minimal or no hierarchy and elimination of privilege and rank, regardless of employees' differing levels of experience or tenure, in addition to treating people fairly. In interviews and informal conversations, numerous employees expressed their view that a central company value was equality among organization members. As one employee stated succinctly, “We're not hierarchical.” He continued, providing more detail, “Will and I have been doing [advertising work] a lot longer than Alicia and Timothy have, but we all co-exist equally. It's sort of the process, the way it was posited.” Although from this employee's (and other employees') point of view, Maverick's uniqueness was about being non-hierarchical, analysis of the CEO's explanation of the values, together with our explicit questioning of him about the values, did not suggest an absence of hierarchy as an explicit structure. Unpretentiousness and community were not in Bryant's mind synonymous with equality.

A second expanded value, *openness*, focused on the idea that communication in the company was open and collaborative rather than constrained by formal channels. It encompassed the idea that employee voice in how things happen at the company would be encouraged and respected, so that people could speak out freely, for example, about structures that they saw as unfair. As one stated,

Table 2  
Value expansion

Expanded values	Employees' descriptions	Sent values reflected in each expanded value
1) Equality	"We're more conscious than other organizations that I've worked in about being egalitarian, fair, respectful of individuals. And we're conscious of trying to be less hierarchical. We try to eliminate privilege and rank."	<ul style="list-style-type: none"> <li>•Being different</li> <li>•Unpretentiousness</li> <li>•Community</li> </ul>
2) Openness	"[The CEO] wanted everything to be open... open communication, no titles. If you see people's business cards here, their titles aren't on 'em. It just has meaning... Particularly with the design room... it needed to be open; you needed to be able to see what your neighbor was doing, and be able to look at it, and be like, 'That's kinda cool' or 'What do you think about this?' I think he wanted very much to maintain the unity, all the involvement of everybody... I think that he wanted it to reflect the spirit of the place, that you're not just dealing with your average Joes here."	<ul style="list-style-type: none"> <li>•Being different</li> <li>•Unpretentiousness</li> <li>•Community</li> </ul>
3) Family	"The center of [the values] is treating people right, with respect, embracing all kinds of different people... [The CEO] founded a company based on those principles... trying to create an environment where people enjoy each other, get along, have a sense of self-worth... A lot of people have that kind of conscience built into them; it's the kind of people he draws in. Read the story of the company, it's... sophisticated. He calls it diversity; I call it love your neighbor. But I think it's exactly the same thing. At its best you feel like you're not working for a company but a cause... We're working for this notion of 'non-hierarchical,' 'treat people right.' It's like working for a much higher cause than 'create advertising,' 'make money.'" <i>Good clients</i> : "I think [the CEO's] original vision was pretty noble. To... go after work in a way that doesn't compromise one's integrity, and not having to be in [the industry trade magazine] <i>Adweek</i> , not having to have big-name accounts, but to work with good people [clients and coworkers] and do good work."	<ul style="list-style-type: none"> <li>•Being different</li> <li>•Unpretentiousness</li> <li>•Community</li> <li>•Employee growth</li> <li>•Diversity</li> </ul>

All data are from interviews; representative quotes are selected to capture data from which each value was inferred by authors.

[The founder/CEO] wanted everything to be open... open communication, no titles. If you see people's business cards here, their titles aren't on 'em... Particularly with the design room... it needed to be open; you needed to be able to see what your neighbor was doing, and be able to look at it, and be like, 'That's kinda cool' or 'What do you think about this?' I think he wanted very much to maintain the unity, all the involvement of everybody... I think that he wanted it to reflect the spirit of the place, that you're not just dealing with your average Joes here.

Finally, an expanded value of *family* captured the CEO's emphasis on community and commitment to employees' needs but also encompassed notions of teamwork, fun, camaraderie, and the selection of "good" clients (those not unpleasant to deal with or overly demanding). Employees frequently referred to this value, stating that Maverick was "caring," "lighthearted," and "like a family."

According to one employee, employees developed a shared understanding of the meaning of Maverick's values through discussions among themselves. These discussions increased in frequency as the company grew:

We've had... more discussion of who we are as a corporate culture, what we stand for... It's causing us to question who we are, and if we are different from other organizations in the past, and if so, how are we different from other organizations. There's been a lot of talk about diversity... about trying to keep structures as non-hierarchical as possible, trying for fairness within the organization between different functional groups...

Table 2 indicates which sent values our analysis suggested were reflected in the expanded values. For example, the expanded value of equality has elements of the sent values of being a different kind of company, unpretentiousness, and community, but is more abstract and ideological. As one employee described it, "We're more conscious than other organizations that I've worked in about being egalitarian, fair, respectful of individuals. And we're conscious of trying to be less hierarchical. We try to eliminate privilege and rank."

This description is reminiscent of the CEO's advocacy of unpretentiousness—for example, company shirts that conveyed belonging to "some hardworking, not-so-glamorous organization"—but takes it further, adding the notion of egalitarian elimination of rank. Similarly, the expanded value of openness reflects sent values of being a different kind of company, unpretentiousness, and community, and yet its notions of open communication and employee voice were not an explicit element of the CEO's vision.

Third, the expanded value of family combines elements of all five of the sent values—being a different kind of company, unpretentiousness, community, employee growth, and diversity—but also encompassed the notion that the company should take care of employees' needs.

Employee synthesis and expansion of the sent values went further than the founder intended. The expanded values were more ideological than Bryant's explicit goals for the company, relating more to universal values such as equality than to pragmatic values such as being different in the marketplace. To illustrate, discussing diversity, one employee makes a leap to equality and family:

Read the story of the company, it's . . . sophisticated. [The CEO] calls it diversity; I call it love your neighbor. But I think it's exactly the same thing. At its best you feel like you're not working for a company but a cause. . . We're working for this notion of 'non-hierarchical,' 'treat people right.' It's like working for a much higher cause than 'create advertising,' 'make money.'

In noting that his words diverge from the CEO's, this informant appears to recognize the process of value expansion, yet stops short by claiming that diversity and "love your neighbor" represent "exactly the same thing." While the expanded values held great meaning for Maverick employees, they represented a broader set of meanings relative to the CEO's intended values. Next, after concluding the case narrative, we build theory to explain why and when value expansion may occur in organizations.

#### *5.4. Enthusiasm for the values-driven agency*

Employees were enthusiastic about Maverick's values, as they understood them. This was particularly evident in Phase 1 of data collection, when one employee reported:

I've been in the business 20 years. This is absolutely, positively a unique situation. And I am somebody who has made a job move every two to three years, so I feel pretty well grounded in my observations of the industry. I've also worked . . . freelance and seen a lot of different, diverse groups, and there is nothing like it. John [Bryant] has a poster that says 'There's no place like this,' with a gorgeous image of the Caribbean, but there literally is no place like this.

Another explained,

At [my previous firm] you just didn't go down to the creative team's office and meet with them. They expect you to book time. . . You look around here, there isn't that quality, you 'book time' only if it's to say, 'Are you around?' . . . And that's the way it works. It's not an atmosphere that is at all like that kind of structure. You just don't have that same sort of rigidity and sense of hierarchy and wondering where your place in all that's gonna be.

Illustrating strong identification with the values, Maverick employees drew from the expanded values to speak in reverent terms about the company's "sense of caring" and about the "equality of the place." Often citing the importance of the values to them, almost all informants expressed an intention to stay at Maverick indefinitely. This espoused loyalty was consistent with a very low turnover rate. Employees also showed commitment to Maverick by working late when a deadline loomed; several described how their devotion to Maverick motivated them to put extra effort and time into their work without additional recognition or pay. In sum, as depicted in Fig. 1, below, Maverick's values appeared to promote high levels of meaning, enthusiasm for the values, continuance commitment (intention to stay at the company), and effort.

#### *5.5. Instances of hypocrisy attribution leading to disenchantment*

In Phase 1, mentions of negatively viewed leader actions were rare, but when such actions were reported, employees made sense of them generously or leniently. For example, employees described the CEO's slow completion of employee reviews, his lack of information-sharing regarding hiring his assistant, unclear determinants of raises, and one designer's initial exclusion from the company's business book. Each action had the potential to be

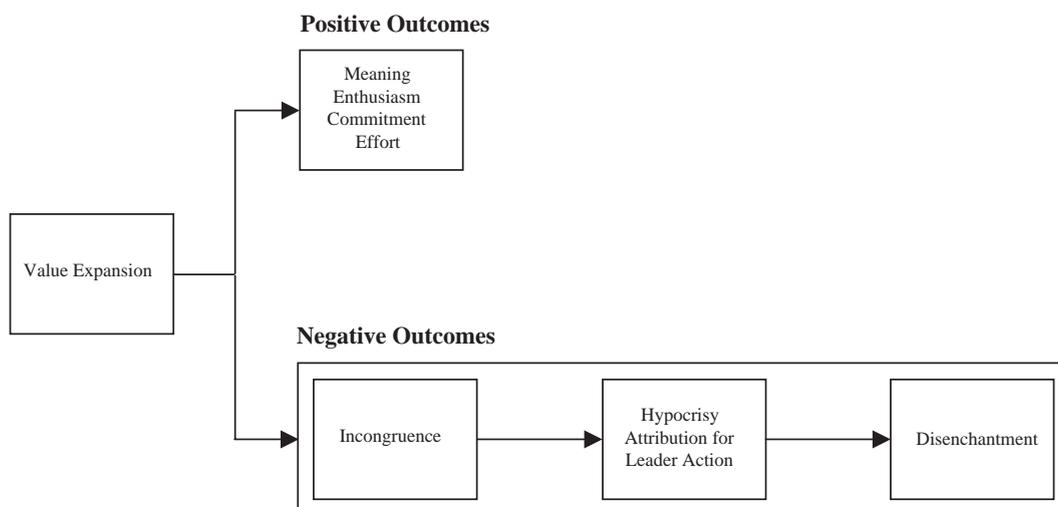


Fig. 1. Positive and negative outcomes of value expansion.

seen as a breach act (Garfinkel, 1967; Morrison & Robinson, 1997) violating the values of employee growth, openness, equality, and equality, respectively—yet none gave rise to an attribution of leader hypocrisy.

In Phase 2, we identified a marked shift in employees' sensemaking related to negatively appraised leader actions. The CEO's 1995 decision to grow the company substantially, a highly meaningful event, appeared to trigger this shift. Informants saw this decision as a massive change that threatened Maverick's commitment to its values. They found growth upsetting and subsequently began to interpret Bryant as violating and only pretending to care about the company's values—attributing his behavior to hypocrisy. Thus, as shown in Fig. 1, hypocrisy attribution emerged as a negative outcome of value expansion and incongruence. Further, following this significant event and its associated sensemaking, a number of subsequent negatively appraised leader actions appeared to become vulnerable to this newfound attribution of hypocrisy.

As summarized in Table 3, we identified nine negative leader actions reported in Phase 2 interviews. All were attributed to leader hypocrisy. Below, we present two examples that illustrate hypocrisy attribution, and we summarize the remaining seven in the table. The first, "The Growth Decision," was a pivotal event at Maverick that led many employees to express concern about Maverick's values, citing it as a deliberately inconsistent leader action. The second, "The Shareholder Decision," also triggered an attribution of hypocrisy by several informants.

### 5.5.1. The decision to grow

In 1995, the CEO made a decision to grow the company substantially. As a result, by 1998, Maverick employed over 30 employees and was executing 770 projects a year, up from 12 and 300, respectively, in early 1995. In interviews, Bryant offered three reasons for his decision. These included his desire both to create value for employees, because they had invested in the company and benefited from the company-wide profit-sharing plan, and to provide employees with developmental opportunities via larger clients and projects. Furthermore, because his father and grandfather passed away in their early sixties before they could retire, Bryant explained that he wished to retire early and believed that growing the company would facilitate reaching that goal.

In contrast, many employees interviewed in Phase 2 viewed the decision to grow as evidence that the CEO was greedy and willing to sacrifice Maverick's values for money. Almost all employees reported that this crucial decision fundamentally threatened the company values of equality, because it represented greed and allowed some to make more money than others, and family, because it would disrupt the close-knit camaraderie of a small company. As one employee put it, "I think this place projects goodness, and that's special, [but] that's slipping; we're starting to become more like every place else... There is this need to grow, to grow bigger... It's ego; it's money." Another said,

I think right now is a real test of John and the principles. And people in the office are saying, Are you gonna walk the walk. You can talk the talk, but are you gonna walk the walk. Was this whole thing, did it really mean something, or when money's involved, are we gonna change?... How true are you to what you're telling us?

Table 3  
Hypocrisy attribution in response to varied leader actions

Action	Description of action	Summary of employee attributions of hypocrisy	Values violated: Sent (s) and expanded (e)	Representative quote
1) The Growth Decision (1995)	CEO decided to increase number of employees and company projects. (As a result, by 1998, Maverick Advertising employed 31 employees and executed 770 projects a year—up from 12 and 300 in early 1995.)	Employees saw the decision to grow as an indication of CEO greed and willingness to sacrifice Maverick's values of equality and family for money.	Equality (e) Family (e)	"I think this place projects goodness, and that's special, [but] that's slipping; we're starting to become more like every place else... There is this need to grow, to grow bigger... It's ego; it's money."
2) The Shareholder Decision (July 1995)	CEO awarded shares in the company to four employees (three of whom were white men) who had been with the firm for many years, after they approached him with concerns about financial security.	Creating shareholders inadvertently created a new layer of hierarchy. One employee saw CEO as violating values of equality and openness. Another saw CEO as violating values of equality and diversity.	Equality (e) Openness (e) Diversity (s)	"I think it's changed the way people feel about their voice within the group. You know, John structured the place as everyone's on the same level, there's no management or anything like that. There's computer stuff, there's jobs; everyone's equal. Then you add another layer in..." "I think it's definitely evolving back towards more of a traditional advertising structure than some people would like to admit. For all the talk about a flat organization and one that's diverse, in the end, it's white men that are running the place..."
3) The Townhouse Purchase (1996)	CEO bought a new home, a million-dollar townhouse in one of the city's prestigious areas.	Employees viewed unpretentiousness as a core company value, and one equated the townhouse purchase with greed and excessive moneymaking, concluding that the CEO was more money-driven than creativity-driven.	Unpretentiousness (s) Equality (e)	"John [is] obsessed with the money we make. He's now more bottom-line-driven than creativity-driven. The quality of our work has gone down... [This occurred] when John moved [downtown] and bought a [highly expensive] townhouse."
4) Failure to Respond to the Compensation Committee (January 1998)	The CEO and shareholders created a committee to summarize all employees' views of the compensation system. This compensation committee reported several concerns including a belief that decreased information-sharing was harming morale. The CEO and shareholders implemented a suggested 401(k) program but did not address the other issues raised by the committee.	Employees saw CEO and shareholders as not communicating openly despite espousing a value of openness.	Openness (e)	"There were things going on that we used to know about, and that we didn't now, which is obviously [John's] right, but then tell people that that's what's gonna happen. Don't say, 'Oh, this is very open communication' when it's not."
5) The Conference (1998)	A group of (white) men was sent to a conference, and several female employees expressed concern to the CEO. He expressed interest and caring, but no other action was taken.	Employees believed the CEO had exaggerated the company's diversity and was not committed to changing the situation.	Diversity (s) Equality (e)	"I hear a lot about diversity... but [nothing is] being executed."

Table 3 (continued)

Action	Description of action	Summary of employee attributions of hypocrisy	Values violated: Sent (s) and expanded (e)	Representative quote
6) An Employee Speaks Up (1998)	Acting on the belief that openness was valued at Maverick, Chris forcefully and persistently shared ideas about how the company should structure itself for the future (e.g., establishing departments and department heads). The CEO did not respond to or take action based on these suggestions.	Chris saw CEO as unethical and as being motivated by money, power, and ego gratification rather than committed to the value of openness, or to allowing employees to influence key decisions.	Openness (e)	Chris described the CEO as “somebody that I [don’t strongly] respect ethically... right now... [This] made me realize that the structure that I had been told was in place wasn’t... and my takeaway from it was, I’m putting in a disproportionate amount from what I’m getting back.”
7) Failing a Receptionist (1999)	The CEO had hired a receptionist, Gwen, a black woman from the inner city with five children. Several employees reported that Gwen was unreliable in her work but that nothing was done about it.	One employee saw CEO and shareholders as not helping Gwen, despite espousing a value of employee growth.	Employee growth (s) Equality (e)	“On the surface people say that they believe in certain things, and isn’t it wonderful, and aren’t we great, kind of? But the reality of it is completely opposite... I think we’re doing [Gwen] a huge disservice... she won’t leave here and be a better worker than when she started. I think that’s bad, and I don’t think we’re helping her in any way. And I think [John] wants to think he is [helping]... [He] throws money at it and cheap sayings, but when all is said and done, we’re not doing her any good...”
8) The Upsurge in Time Crunches (1999)	As the company grew, it faced more time crunches, where employees had to work overtime to meet deadlines, sometimes without advance warning.	Employees saw CEO as not enacting the espoused value of family, especially working with good clients and treating employees well.	Family (e)	“I think [John’s] original vision was pretty noble. To kind of go after work in a way that doesn’t compromise one’s integrity, and not having to be in <i>Adweek</i> , not having to have big-name accounts, but to work with good people and do good work. And I think that’s disintegrated a little bit, that we’ll do anything. Whereas before I think we were a little more discretionary... [We now have more typical] clients who ask you to turn things around on a dime every single time.”
9) The Naming of a Supervisor (April 1999)	CEO announced his decision, made and communicated to the involved individual months earlier, to promote a designer to a new position supervising his functional area. Previously, the CEO himself had overseen this area of the company.	One employee saw CEO as conflict-avoidant and lazy and not committed to openness.	Openness (e)	“John doesn’t like controversy. And I think telling people that Larry is gonna be your supervisor could have repercussions that he doesn’t want to deal with...” “He gave Larry a new position as a supervisor... Six months later, John announced it... [The delay was because of John’s] laziness. That’s all it is; it’s laziness.”

In each cell, one or two quotes from the full set of coded data were selected to represent typical responses.

The CEO and employees thus made very different attributions for the Growth Decision. Whereas Bryant saw situational reasons for the decision—his family health history and the need for developmental opportunities for employees—employees attributed the decision to CEO greed, hence concluding that he was being hypocritical.

### 5.5.2. *The decision to name shareholders*

When four longtime employees approached the CEO, seeking greater financial security, he responded by awarding them shares in the company, explaining in an interview that his intent was to reward employees whose years of hard work “had a business impact... that went beyond contributions others were making” and to strengthen the bond between these loyal employees and the company. He described working closely with an attorney for 6 months to make sure the decision was carefully and fairly designed. Several other employees interviewed expressed concern about the decision. One reported that it imposed hierarchy that threatened the values of openness and equality:

I think it's changed the way people feel about their voice within the group. You know, John structured the place as everyone's on the same level, there's no management or anything like that. There's computer stuff, there's jobs; everyone's equal. Then you add another layer in. . .

According to another employee, the decision to name four employees (three of whom were white men) as shareholders was inconsistent with the values of equality and diversity:

I think it's definitely evolving back towards more of a traditional advertising structure than some people would like to admit. For all the talk about a flat organization and one that's diverse, in the end, it's white men that are running the place. . .

We identified seven other events for which employees also made the attribution of leader hypocrisy (see Table 3). First, the CEO's purchase of a new home in a prestigious neighborhood was interpreted as a violation of the values of unpretentiousness and equality. Second, his failure to address the concern, raised by an employee committee, about decreased information-sharing in the company was seen as a breach of openness. Third, his decision to send a group that consisted of only white men to a conference was seen as breaching the values of diversity and equality. Fourth, Bryant's lack of responsiveness to an employee's suggestion about the company's future organizational structure was perceived as a breach of the value of openness. Fifth, the CEO's failure to discipline a poorly performing minority receptionist was taken as a violation of the values of employee growth and equality. Sixth, an increase in the need to work overtime for more demanding clients, sometimes without advance warning, was seen as a violation of the value of family. Finally, Bryant's delay in announcing the naming of a supervisor was seen as violating openness.

In these data, employees who made attributions of leader hypocrisy expressed a strong sense of disenchantment—disappointment, frustration, anger, and loss of trust in the CEO. Some also communicated feelings of betrayal.

### 5.6. *Failure to seek clarification*

In all but three of the nine events, employees failed to raise their concern about the event publicly. In the cases where confrontation did occur (“Failure to Respond to the Compensation Committee,” “The Conference,” and “The Upsurge in Time Crunches”), employees approached the CEO with concerns. Even then, consistent with theory of action (Argyris & Schön, 1978), raising concerns did not include seeking and considering alternative explanations for the events but rather was limited to asking for changes. Once a hypocrisy attribution had been made, further causal analysis appeared limited, and subsequent attributions of hypocrisy appeared to become even more likely than before, suggesting a self-reinforcing dynamic with limited potential for self-correction.

## 6. Understanding how values can backfire: A theoretical model

In this section, we build on our observations from the case narrative by synthesizing relevant research from multiple streams to propose new theory on how employee sensemaking of organizational values can lead to negative outcomes. We next describe each step in the model.

### 6.1. Value expansion

The inherently abstract or “fuzzy” nature of values creates the potential for multiple plausible interpretations of the values’ appropriate meanings. We argue that value expansion occurs due to both cognitive and interpersonal processes. Two cognitive processes may contribute to the occurrence of value expansion. First, a natural process of “drift” may occur, in which an abstract guideline for action gradually assumes additional, sometimes peripheral meanings; eventually an organization’s core values or mission may become “diluted” due to an expansive scope of meanings. Recent research on nonprofit management has identified a related phenomenon termed mission drift, in which an organization’s engagement in activities that are less central to its mission dilutes its focus over time (Sawhill, 2000).

Second, we argue that the phenomenon of rising expectations contributes to the occurrence of value expansion. Research on happiness has documented a phenomenon called the “hedonic treadmill” (Kahneman, Diener, & Schwarz, 1999), in which individuals who succeed in acquiring a level of material wealth that they believe will make them happy subsequently find that their happiness now depends on acquiring even more wealth, such that the bar is constantly being raised. Similarly, Rescher (1969) has argued that as societal conditions improve, expectations increase regarding what constitutes minimal attainment of a given value, such as public health.

We also argue that social processes of communication contribute to value expansion. Weeks & Galunic (2003) theorized that values, as exemplars of organizational cultural memes, evolve as they are selectively enacted by members and interpreted by other members, and that the ease with which an idea is remembered affects its chances of being replicated. Consistent with research in clinical psychology (e.g., Wong & Fry, 1998), we argue that highly abstract values, such as Maverick’s expanded values, are particularly meaningful and easy to recall.

Certain values may be more likely to be products of value expansion, namely values held deeply by the society in which an organization is embedded. Consistent with this view, Maverick’s expanded values incorporated core U.S. values of equality and social welfare (Rescher, 1969).

### 6.2. Hypocrisy attribution

We propose that value expansion increases the likelihood of attributing leader actions to hypocrisy, through increased incongruence. When followers expand on sent values, incongruence, in which employees and leaders have different understandings of what the values mean (Morrison & Robinson, 1997), becomes more likely. Top managers, absent from employee conversations about the organization’s values due to busy schedules, may fail to realize that incongruence exists. For example, Maverick’s CEO and his employees indicated that he was frequently away from the agency meeting with current and potential clients.

When incongruence exists, leaders are more likely to unwittingly engage in behaviors that followers construe as inconsistent with organizational values. Once a leader’s behavior has been coded as a value breach, observers will tend to attribute the action to hypocrisy, for several reasons. First, correspondent or dispositional inferences are simpler to make than non-correspondent ones because target individuals are directly visible and salient whereas situational constraints driving behavior can be intangible and invisible (Gilbert & Malone, 1995). Second, negative events can be considered failures; to bolster their self-esteem, people attribute others’ failures to their correspondent fixed dispositions, while viewing their own failures as unrelated to their fixed dispositions (Ross & Fletcher, 1985).

Finally, hypocrisy attribution—in contrast to other negative dispositional attributions such as deficits in interpersonal skill—is a blame-oriented attribution. Blame is an element of “everyday conduct evaluation that identifies behavior as morally wrong or socially opprobrious” (Alicke, 2000, p. 556) that “serves to discourage people who imperil others’ physical and psychological well-being” (Alicke, 2000, p. 569). People prefer human-agency (blame) explanations to environmental ones for harmful events because they maintain a sense of control. Employees also may be motivated to blame others, rather than themselves, for negative events in the organization by self-serving concerns because blaming others frees one from responsibility to try to change the status quo (Heifetz, 1994). We further note that a blame-oriented attribution may serve the function of passive or symbolic retribution for a harmful act.

### 6.3. Disenchantment

Concluding that one’s leader does not, in truth, wish to act according to the organizational values he or she has espoused (the hypocrisy attribution) is likely to produce disenchantment, in which feelings of violation—a blend of

disappointment and anger—and loss of trust in the leader have undermined enthusiasm previously generated by the leader's emphasis on organizational values. The perception that cherished values have been violated means that one has not received a reward that is wanted and expected, which triggers feelings of violation (Morrison & Robinson, 1997). Hypocrisy attribution is also likely to erode trust because the inference that a leader is not genuinely committed to his or her espoused values for the organization is antithetical to perceived integrity, or adherence to a set of valued principles, which is a vital component of trust (Mayer, Davis, & Schoorman, 1995; Simons, 2002).

The elements of disenchantment—anger and disappointment and loss of trust—matter for organizations. Negative emotions at work are associated with impaired job performance (Staw & Barsade, 1993), absenteeism (Pelled & Xin, 1999), and low helpfulness (George, 1991). In addition, low levels of trust in superiors have a negative impact on subordinates' work attitudes and behaviors (Kramer & Tyler, 1996).

#### 6.4. *Failure to seek clarification*

Although attributions are necessarily hypotheses and should be tested before final conclusions are drawn, such clarification is unlikely to take place following an attribution of leader hypocrisy for several reasons. First, this assessment is inherently threatening to a subordinate, because leaders hold power over them. Feelings of threat restrict cognitive processing (Janes & Olsen, 2000; Weick, 1995), reducing awareness of important additional information about a situation; they also trigger a fight-or-flight response, which interferes with learning or thoughtful reflection, making it difficult to engage in proactive learning-oriented inquiry (Edmondson, 1999). Hence, once an individual commits an act of perceived hypocrisy, his or her image may thus be permanently tarnished.

#### 6.5. *Factors associated with exceptions*

Exceptions to the trend described above suggested two further moderators—organizational tenure and perceived benefit/harm—of the hypocrisy attribution dynamic. First, Maverick's newest employees did not attribute the leader's actions to his underlying hypocrisy, suggesting that the longer an employee's tenure in an organization, the stronger the linkages in his or her mind between the organizational values and specific organizational structures, and the greater the probability that changes to these structures will be seen as value breaches.

The Growth Decision at Maverick was a watershed leader action in this context—the first leader action to be attributed to hypocrisy, followed by others. In Phase I, although mentions of negatively viewed leader actions were rare, they were not nonexistent, and they were interpreted leniently. We theorize that the elimination of an organizational feature that employees have come to see as a defining manifestation of a cherished value (in this case, the company's small size) is an important category of leader actions that can trigger a shift in sensemaking and subsequent disenchantment. Consistent with this argument, Walton (1980) reported that managers' business decision to eliminate self-managing teams at a manufacturing plant with strong organizational values caused uproar among employees, who had, unknown to managers, come to view this structure as a defining manifestation of the plant's espoused value of democracy.

Second, none of the Maverick employees who benefited personally (e.g., by becoming a shareholder) from a CEO action in Table 3 attributed the action to leader hypocrisy. This pattern is consistent with psychological theory on blame. Others' actions that serve our own goals tend not to be appraised as opprobrious, and thus are unlikely to elicit the desire to blame the actor (Alicke, 2000), such as by attributing his or her behavior to hypocrisy. Individuals are thus likely to interpret such actions generously.

#### 6.6. *Alternative explanations*

Several alternative explanations for the hypocrisy attributions and employee disenchantment we observed at Maverick can be discounted as not consistent with the data. First, employees in values-driven organizations can become disenchanted due to insufficient alignment between the values and the organizational structures and policies (e.g., Walton, 1980). This was not the case at Maverick, however; as described above, the values were supported by extensive organizational structures and policies, especially those related to hiring, work design, and compensation.

A second alternative explanation for hypocrisy attribution in this context is simply that employees *accurately* perceived hypocritical behavior in the CEO; that is, he was, in fact, a leader with value-inconsistent intentions

pretending to be otherwise. Here again, the data suggest otherwise. Evidence that the CEO was genuinely committed to Maverick’s values included the considerable effort and time he invested in thinking about ways to support the values, evident in both phases of data collection. Further, while engaged in some of the specific actions that employees attributed to hypocrisy, the CEO instead explicitly saw his actions as helping to realize the values. Notably, when he decided to grow the company, his aims included providing employees with more developmental opportunities and increased profit-sharing, and when he named shareholders, his intentions included rewarding hardworking, longtime employees.

Similarly, although it was possible that following the Growth Decision the CEO began relating with employees in profoundly different ways that merited the altered sensemaking we identified in Phase 2, we saw no evidence of discernable change in his actions or rhetoric over this period. The sensemaking process presented in Fig. 2 better accounts for employees’ new criticisms. In changing the company’s small size, an organizational feature that employees had come to see as a defining manifestation of a cherished value, the Growth Decision represented a watershed event that shifted employees’ sensemaking from generous to harsh.

Finally, another alternative explanation for our findings implicates employees themselves; specifically, they may have been complainers, indulging a natural tendency to vent that is not uncommon in the workplace. In this view, rather than expressing satisfaction about the positive aspects of their workplace, employees chose to complain, perhaps in a frivolous manner. This view, however, is more descriptive than explanatory. Moreover, it is clear from Phase 1 data that the employees were not initially chronic complainers, despite engaging in negative sensemaking about recent leader actions. We argue, in sum, that our theoretical model provides a more compelling explanation of these phenomena than these alternatives.

### 7. Discussion

The aim of this article is to contribute to theory on charismatic leadership and values in several areas. First, by identifying the phenomenon of value expansion and explicating its outcomes, we contribute to emerging work on

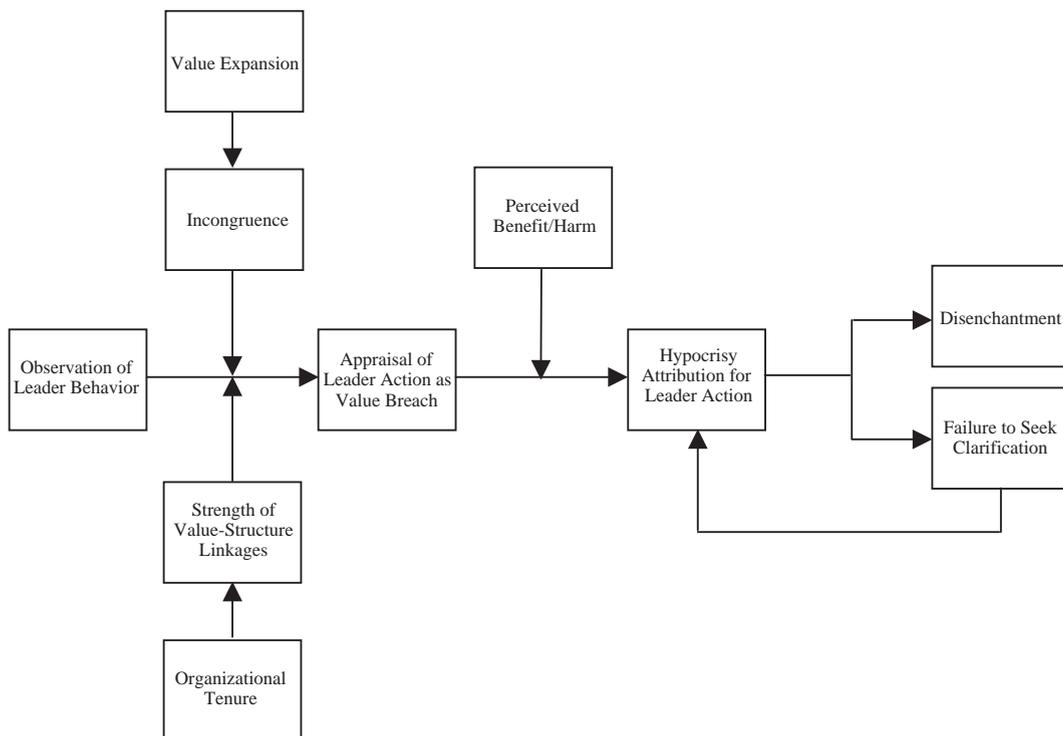


Fig. 2. Hypocrisy attribution dynamic model.

mechanisms through which charismatic leaders influence followers and organizations. Our discussion of cognitive processes underlying value expansion also begins to address the need for greater attention to the role of follower cognitions in the charismatic relationship (Lord & Emrich, 2001).

Second, our discussion of value expansion extends recent work on how values influence affect, cognition, and behavior (e.g., Lord & Brown, 2001; Seligman et al., 1996). Although some writings acknowledge the possibility that subgroups of organization members may have different interpretations of an organization's culture or psychological contract (e.g., Martin, 1992; Morrison & Robinson, 1997), scholars have not previously discussed the phenomenon of values broadening (the scope of meanings associated with values expanding). We not only identify this phenomenon but also develop theory as to why and when this process can unfold, and to what effect, as shown in Fig. 2.

Third, by proposing theory on key antecedents and outcomes of hypocrisy attribution, we add to work on negative outcomes of charismatic leadership, and specifically on followers' perceptions of self-sacrificing versus self-serving charismatic leadership (e.g., Dasborough & Ashkanasy, 2002; De Cremer, 2002; House & Howell, 1992). The antecedents and outcomes of hypocrisy attribution that emerged from our field research complement the conceptual work of Dasborough and Ashkanasy on how variables such as follower mood affect the perception of self-sacrificing versus self-serving leadership. Several previous studies (Ehrhart & Klein, 2001; Sosik, 2005; Thomas et al., 2001) examined value-related antecedents (such as follower and leader values) of initial leadership attributions or preferences. These studies shared a common focus on initial reactions to leaders as the end point. We examine instead how leaders can succeed in generating follower enthusiasm initially, only to subsequently be seen as hypocritical in a dynamic process. Similarly, we contribute to emerging work on authentic leadership by showing that leaders with strong values can seek to behave authentically and be accorded legitimacy by followers at first, only to become seen as hypocritical at a later time.

Fourth, this article develops new connections among multiple, previously unlinked streams of research on charismatic leadership, values, psychological contracts, and social cognition. These linkages extend the boundaries of knowledge previously encapsulated by each and create the possibility for further theory development integrating these literatures.

### *7.1. Practical implications and future directions*

This article raises important implications for leadership practice, related to the tension between communal and business values, value clarity, proactive sensegiving about potentially value-threatening events, and the creation of psychological safety. We believe that each of these issues should be prioritized in future research on leadership and values. Below we propose that management of the tension between communal and business values, value clarity, and proactive sensegiving about value-threatening events may reduce the risk of hypocrisy attribution. We argue that employee psychological safety can help leaders to uncover and potentially recover from hypocrisy attributions that have been made.

#### *7.1.1. Explicit management of the tension between communal and business values*

The Maverick case illustrates an important organizational tension between communal and business values. Although in many cases promoting the welfare of employees may be consistent with organizational performance (Cha, 2004), situations exist in which leaders may need to decide between the two. This tension may increase the chances that a given leader action will be seen as inconsistent with one value set or the other. As a result, leaders who promote communal values may be at increased risk for attributions of hypocrisy. To illustrate, the Growth Decision at Maverick strengthened the company's business performance but was seen as threatening the company's communal values.

To reduce the risk of hypocrisy attribution, leaders may need to explicitly acknowledge and cope with the above tension (Evans, 2000), such as by drawing employees' attention to the possibility of conflicts between caring for and supporting employees on the one hand and sustaining performance standards on the other. Leaders can also discuss the high speed of change in modern organizational environments. In one of the few scholarly writings on hypocrisy, Brunsson (1989) asserts that contemporary leaders may not be able to avoid being hypocritical, as rapid environmental changes can make it very difficult to deliver on promises made at an earlier time. In the absence of such discussions, employees might assume that implementing and supporting communal values is a straightforward matter, rather than anticipating conflicts and environmental shifts that could force even the most committed leaders into making difficult decisions and compromises.

### 7.1.2. Value clarity

It is possible that the problems associated with value expansion and incongruence could be eliminated by managers and employees engaging in thoughtful dialogue about the values, aimed at reducing differences in interpretations about meaning and implications (e.g., Isaacs, 1992; Schein, 1985). At the same time, a tension may exist between such value clarity and the experience of meaningfulness. Specifically, employees feel less of a personal connection to organizational values if leaders severely restrict the scope of meanings that employees may attach to them.

### 7.1.3. Proactive sensegiving about value-threatening leader actions

Employees and outsiders often turn to leaders to “give sense” (Pfeffer, 1981) about ambiguous events, including those that potentially reflect badly on the organization (Badaracco, 1997). In this case, Maverick’s CEO did not take the opportunity presented by any of the nine value-threatening actions to explicitly affirm the organization’s continued commitment to living by its values. Perhaps if he had presented compelling reasons for his actions and highlighted ways in which the company was living up to its values, and then asked for help identifying issues or concerns he might be missing (e.g., Argyris, 1993; Edmondson, Bohmer, & Pisano, 2001), this would have reduced employees’ tendency to attribute the events to leader hypocrisy. This view is consistent with research showing that communication about an actor’s situational constraints and realistic expectations about how most people would act in his or her situation may reduce the likelihood of a correspondent dispositional attribution (Gilbert & Malone, 1995).

### 7.1.4. Psychological safety

In the absence of psychological safety, leaders who become seen as hypocritical may be “the last to know.” Leaders must work particularly hard to make their own actions discussable, through frequent invitations for feedback, inquiry into what others are thinking and feeling, and expressions of vulnerability that make it possible to express concerns and questions (Argyris, 1993; Edmondson, Roberto, & Watkins, 2003). Employees also need cognitive and emotional maturity to consider alternative (non-hypocrisy) explanations for leaders’ value-threatening actions and to raise and take ownership of their concerns.

## 7.2. Limitations

The data, collected in a single organization, must be seen as suggestive rather than conclusive evidence of the phenomena we describe and support theoretically. Concerns about the generalizability of our model also must be considered. Our research site was a small firm; the actions of leaders of large organizations may be less visible and potentially less vulnerable to an attribution of hypocrisy.

Additional research with a larger sample is required to test the relationships proposed by the model, as well as those suggested in our discussion of practical implications. For example, leaders who create psychological safety among followers may be able to surface concerns about their intentions and address them via dialogue with employees (Edmondson, 1999, 2003).

## 8. Conclusion

Many studies have suggested the enormous potential of leader appeals to shared values to enhance organizational performance and employee motivation. Our findings do not contradict this view, but rather raise the possibility that these positive effects can be undermined by hypocrisy attribution, an unintended negative outcome of cognitive sensemaking processes. A strong emphasis on shared values in an organization thus may be a double-edged sword. The issue of how leaders can reap the benefits of strong organizational values while avoiding the pitfall of perceived hypocrisy represents a fruitful area for future research on charismatic leadership and values.

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### Appendix A. Sample interview protocol (Phase 2)

1. When did you begin working at Maverick? How did you come to work here?
2. What are your job responsibilities?
3. Is there anybody who supervises your work or to whom you report? What is their role, exactly? Do you get the right amount of guidance, or not enough, or too much?
4. On a typical day, whom will you talk to while at the office? For how long, and what do you talk about? How often do you talk to: the designers, the account executives, John, the shareholders? Please describe your interactions and, more broadly, your relationships, with the other organization members, John, and the shareholders.
5. If you have a concern or problem, what do you do? (Whom do you go to?) Can you give me an example?
6. Describe the training process when you first joined this company. Did your training prepare you for your actual job?
7. What are the best and worst things about this company/about working at this company? (What do you love? What drives you crazy?)
8. I wondered if you would name your most and least successful projects (according to your own criteria).
9. Describe how each project unfolded and the role each member played. (How was the project commissioned? How was it assigned? Who was on the team? What backgrounds did they have? Describe what was done and how. Who was at the center of what decisions? Who interacted with whom? How did people react to the project when it was completed?).
10. What factors in the process seem to cause or result in a given project turning out successfully versus less successfully?
11. What's the most important thing that allows you to keep up your energy or creative momentum? How do you avoid burnout?
12. What are the factors that promote your creativity? Impede it? Promote your commitment/job satisfaction? Impede them?
13. How long do you plan to stay with this company, and why? (Another year? Another 5 years? The duration of your career?)
14. What would another ad agency have to have in order for you to leave Maverick and go work there?
15. If there were two things you could change at the company, what would you change? Why?
16. Is there anything you'd especially like to learn from the study?

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