



Organizational Culture and Promotion Systems

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Abstract

Organizational culture holds a significant importance in the literature. Researchers have studied the impact of culture on performance, effectiveness, employee engagement, and organizations' ability to adapt to changing environments. Although promotion is a sensitive issue in organizations and can impact the corporate culture, the relationship between the promotion systems and organizational culture has received little attention. Therefore, this study investigates the relationship between organizational culture and promotion systems. The literature review addresses the importance of corporate culture for organizational and individual performance and sets the basis for the study with the competing values framework. On the topic of promotion, its importance for corporate culture and various promotion systems commonly used by companies were identified. The study combined qualitative and quantitative research methods. The key findings revealed that transparent and fair promotion systems that provide equal opportunities for employees positively influence employees' perception of organizational culture. This impact varies across different promotion systems in combination with different corporate culture types. Both practitioners and scholars can benefit from these insights to enhance organizational effectiveness and contribute to the evolving field of organizational behaviour.

Key Words:

Organizational Culture, Promotion Systems, Promotion, Cultural Values, Perception

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Sumário

A cultura organizacional tem uma importância significativa na literatura. Os investigadores estudaram o impacto da cultura no desempenho, na eficácia, no empenho dos trabalhadores e na capacidade das organizações para se adaptarem a ambientes em mudança. Embora a promoção seja uma questão sensível nas organizações e possa ter impacto na cultura empresarial, a relação entre os sistemas de promoção e a cultura organizacional tem recebido pouca atenção. Por conseguinte, este estudo investiga a relação entre a cultura organizacional e os sistemas de promoção. A revisão da literatura aborda a importância da cultura empresarial para o desempenho organizacional e individual e estabelece a base para o estudo com o quadro de valores concorrentes. Relativamente ao tema da promoção, foi identificada a sua importância para a cultura empresarial e os vários sistemas de promoção habitualmente utilizados pelas empresas. O estudo combinou métodos de investigação qualitativos e quantitativos. Os principais resultados revelaram que os sistemas de promoção transparentes e justos que proporcionam oportunidades iguais aos trabalhadores influenciam positivamente a perceção que os trabalhadores têm da cultura organizacional. Este impacto varia consoante os diferentes sistemas de promoção em combinação com diferentes tipos de cultura empresarial. Tanto os profissionais como os académicos podem beneficiar destes conhecimentos para melhorar a eficácia organizacional e contribuir para a evolução do campo do comportamento organizacional.

Palavras-chave:

Cultura Organizacional, Sistemas de Promoção, Promoção, Valores Culturais, Perceção

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List of Abbreviations

CVF	Competing Values Framework
MBS	Merit-Based System
OCAI	Organizational Culture Assessment Instrument
OLS	Ordinary Least Squares
RBV	Resource-Based View

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1. Introduction

The resource-based view (RBV) emphasizes that competitive advantage and performance are not solely derived from external market conditions but are deeply rooted in the firm's unique, valuable, and difficult-to-replicate internal resources and capabilities (Barney, 1986; Conner, 1991; Hamel & Prahalad, 1996). Organizational culture can be such a source of sustained competitive advantage and therefore positively impact financial performance. As Barney (1986) suggests, organizational culture must fulfill specific criteria, such as being valuable, rare, and inimitable, to contribute to competitive advantage. This advantage, in turn, can positively influence performance by enhancing the firm's ability to outperform competitors, adapt to changing circumstances, and innovate more effectively. A strong culture not only provides a competitive advantage, but encourages individual commitment, motivation, creativity, and success by aligning personal efforts with the organization's mission. It moreover serves as a collective guide for an organization's actions, problem-solving, and goal achievement (Byles et al., 1991; Chatman & O'Reilly, 2016).

The current state of research and literature shows that there is increasing recognition of the importance of corporate culture for organizational success. Researchers are studying the multiple impacts of culture on performance, effectiveness, employee engagement, and the ability of organizations to adapt to changing environments (Cameron & Quinn, 1999; Denison, 1990; Kotter & Heskett, 1992; Lonner et al., 1980). Key research areas include the role of leaders in shaping culture, the development of tools to measure and assess culture and emphasizes the need for cultural change to meet evolving requirements. Overall, research shows that a well-designed and aligned organizational culture is a critical success factor for organizations (Boisnier & Chatman, 2014; Cooke & Rousseau, 1988; Schein, 2004, 2009). In addition to a valuable, rare, and inimitable organizational culture, an effective promotion system can also contribute to organizational performance. When the promotion process is transparent, fair and provides equal opportunities, it motivates employees to work harder and stay committed to the company. Nonetheless, organizations face challenges in managing promotions, as one employee's success can lead to resentment among others. Conversely organizational culture can also have a significant impact on how employees are rewarded through promotions and job assignments. However, the relationship between organizational culture and promotion systems has received far less attention in the literature while, for practitioners, promotion systems can play a pivotal role in shaping the culture of the company

and ultimately affecting employee motivation, commitment, and overall engagement (Rivera, 2012; Rohman et al., 2018). A well-handled promotion system can contribute to a positive, inclusive, and dynamic workplace culture that benefits employees and the organization.

In light of this background, the following research question arises:

RQ1: What is the relationship between organizational culture and promotion systems?

To gain an initial insight into this topic, my thesis focuses on how promotion systems can impact the perception of organizational culture and how this process can vary depending on the culture within the organization. By examining the relationship between these factors, this work seeks to provide valuable insights for practitioners and scholars alike. It sheds light on how cultural values are reflected in concrete HR practices and vice versa.

2. Theoretical Background

The theoretical background outlines the concepts of organizational culture and promotions, focusing on four distinct types of organizational culture and five commonly used promotion systems.

2.1 Organizational Culture

Organizational culture is defined as a pattern of shared assumptions and group experiences considered valid to solve problems, achieve goals, and fulfill the organizational mission (Donaldson & Lorsch, 1983; Kotter & Heskett, 1992; Porras & Collins, 1994). It emerges from the assumptions, beliefs, and values of the founders, leaders, and the learning experience employees gather as the company evolves (Boeker, 1989; Schein, 2004; Schneider, 1987). Despite the subliminal and implicit nature, individuals are able to instinctively recognize and respond to culture. It can guide and constrain their behavior, thus shaping how individuals within the organization act and make decisions, ultimately impacting performance (Groysberg et al., 2018; Schein, 2004).

Which type of culture gets implemented and supported within a company is a strategic issue (Gallagher et al., 2008). As the external environment of an organization keeps changing, it is necessary to realign the strategic goals of the organization with these changes. Therefore organizational culture may need to change to support the new objectives and align with current business challenges, opportunities, aspirations, and trends. Ultimately, the balance between stability and adaptability in organizational culture depends on the strategic goals and

context of the organization. Some organizations prioritize stability for consistency and efficiency, while others emphasize adaptability to stay responsive to evolving market conditions (Cameron & Quinn, 2011; Groysberg et al., 2018).

In conclusion, culture is a shared attribute within an organization. It exists due to group interactions, shared behaviors, assumptions, and values. Therefore, employees play a crucial role in shaping and maintaining organizational culture through shared learning experiences (Groysberg et al., 2018; Watkins, 2013). At the same time, leaders can establish values and norms, align the culture with strategic goals, and create a sense of purpose. However, the leader's assumptions must gain employee acceptance and commitment for this process to succeed. They will be considered valid only if the team successfully solves problems with these given assumptions. Therefore, it is the job of a leader to maintain a balance between nourishing existing beliefs and values and supporting the change of organizational culture regarding environmental trends (Schein, 2004).

2.1.1 Cultural Dimensions

In the context of corporate culture, dimensions refer to various characteristics that can be used to describe the culture of an organization. Organizational culture is a complex and multifaceted concept, and these dimensions help break it down into specific components that can be observed and measured. These dimensions provide a framework for understanding and assessing an organization's culture and a way to analyze and understand the cultural attributes influencing an organization's values, behavior, and decision-making. Various models and tools exist for assessing and describing types of organizational culture, each focusing on different dimensions. Evaluating organizational culture can be complex, as there are many factors to consider and new elements to examine. Using a theoretical framework as a guide can help sort and narrow the numerous dimensions that have emerged over time to filter out the relevant ones. However, it is important to note that no single model is universally applicable, and it would not be accurate to suggest that one model is right, and others are wrong. Different models serve different purposes and may be valuable in specific contexts (Cameron & Quinn, 2011).

2.1.2 Competing Values Framework

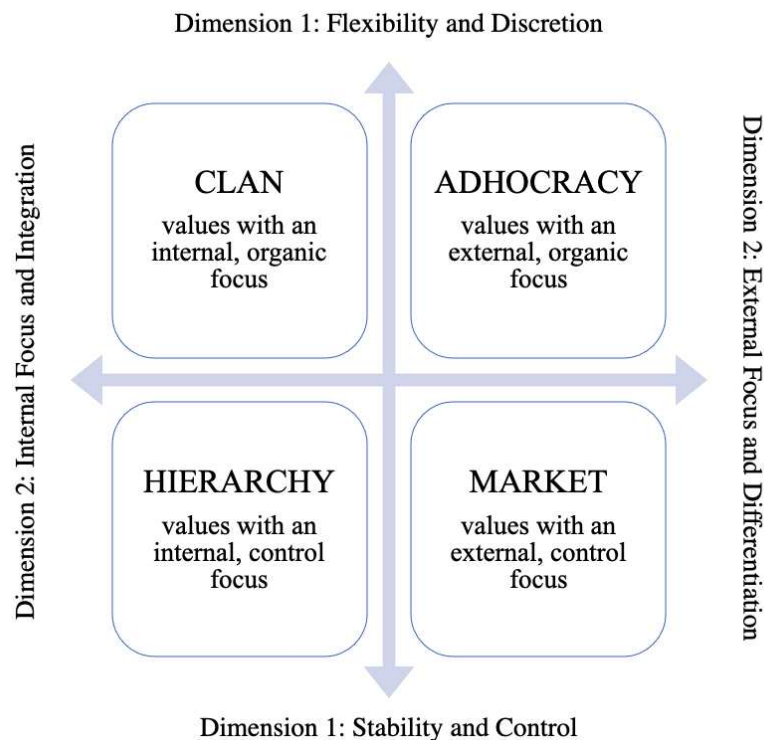
This paper aims to determine how organizations with certain cultures interact with different promotion systems, using the competing values framework (CVF), to identify and characterize these different cultural types.

As the CVF was initially developed to identify organizational effectiveness criteria, two main dimensions have emerged that divide these effectiveness indicators into four clusters. Each dimension comprises two opposite poles, the first consisting of internal vs. external alignment. Organizations on the internal side of the dimension are inward-looking, focused on continuously improving their operations, and place a high value on internal processes, efficiency, and stability. Organizations that focus heavily on the external environment are on the opposite side of this dimension. They are adaptive and constantly looking for ways to respond to changes in the marketplace and environment.

The second dimension is based on flexibility vs. stability. It states that organizations that tend toward flexibility are willing to take risks, promote innovativeness, and adapt quickly to new circumstances. They value change and experimentation. The opposite pole of this dimension describes organizations that emphasize stability and control. They prefer to maintain proven processes and structures and are risk averse. The intersection of these two dimensions results in four main culture types in the CVF - clan, adhocracy, market, and hierarchy - which contain the different indicators of the two main dimensions. These indicators represent these organizational forms' basic assumptions, orientations, values, and the characteristics that make up an organizational culture. Each cluster corresponds to the most critical organizational forms developed in organizational science (Cameron & Quinn, 2011).

Figure 1: The Competing Values Framework

Source: Cameron & Quinn, 2011



2.1.3 The Four Major Culture Types

Clan Culture

This culture emphasizes internal alignment and flexibility and resembles a large family. Such organizations assume that effective management of a company's environment is achieved through teamwork, employee development, and considering customers as partners.

Companies in this culture emphasize human relations, creating a harmonious work environment, with the primary role of managers being to support their employees and encourage their participation, commitment, and loyalty. The workplace culture is defined by collaboration, employee involvement, shared values and goals, and a sense of unity reinforced by corporate commitments to employees. These characteristics are reflected in work team rewards based on team performance rather than individual performance (Cameron & Quinn, 2011). The unity inside the company is maintained through socialization processes. Older members of the organization act as mentors and role models for younger members, thereby passing on and maintaining the company's values and norms. Employees can develop by pursuing traditional career paths within the company (Kerr & Slocum, 1987).

For organizations with a clan culture, decision-making is also easier in challenging times because all members share the same values, beliefs, and goals, stabilizing the coordination of activities within the organization (Argyris, 1964; Cameron & Quinn, 2011; Likert, 1967; McGregor, 1960).

Adhocracy Culture

This culture emphasizes flexibility and an external focus. Companies with an adhocracy culture represent a dynamic, entrepreneurial, and creative workplace where employees can engage and take risks. Adhocracy derives from "ad hoc" and is characterized by temporary goals and constantly adapting to current circumstances and emerging opportunities. For this reason, job responsibilities and departmental alignments can change after the company completes a project. Thus, power and authority are not centrally held in adhocracy but are characterized by a constant and often unpredictable change in leadership. In addition, team constellations are temporary.

The values that hold the organization together are based on the willingness to experiment, to change and face new challenges, and to produce innovations. Behind this is the assumption that such initiatives are the path to success. The key goals of the organization are to constantly create new knowledge, to be a pioneer in innovative products and services, to grow rapidly, and to acquire new resources. To achieve these goals, leaders in adhocracy cultures need a strong vision and should be risk-taking as well as forward-looking (Cameron & Quinn, 2011).

Hierarchy Culture

Organizations that adopt a hierarchy culture prioritize stability and internal alignment. This culture is characterized by a high degree of formalization and standardization, focusing on rules and procedures designed to ensure control, performance, impersonality, and accountability. These qualities are critical for success, as they enable the company to consistently produce high-quality products and services in a reliable and efficient manner. In a hierarchy culture, employees are expected to adhere strictly to established policies and procedures. The organization places great emphasis on internal promotion, and employees must demonstrate a profound understanding of the rules and policies of their current position before they can be considered for advancement. This culture's emphasis on standardization and control can sometimes lead to a lack of flexibility and creativity. However, it is seen as a necessary trade-off for the benefits of stability and consistency (Cameron & Quinn, 2011; Weber, 1947).

Market Culture

This culture strongly emphasizes external factors and is centered around competition between the company and other players in the market, based on the values of superior customer value, profitability, and productivity. The transactions of these companies are predominantly focused on the exchange, sale, and contract formation with external stakeholders, such as suppliers, customers, licensees, unions, and regulators (Cameron & Quinn, 2011; Groysberg et al., 2018). The market culture fosters a strong sense of independence and individuality, where everyone pursues their own interests and increased individual performance is rewarded (Gallagher et al., 2008; Kerr & Slocum, 1987).

The aim of these companies is to gain competitive advantages to achieve their main goals of profitability, a competitive position in the market, a secure customer base, and a high market share. They perceive their environment as hostile, and as such, they adopt an aggressive strategy to achieve their goals. Such organizations are result-oriented. Thus, managers are demanding and challenging, emphasizing winning to keep the organization together and achieve the desired results (Cameron & Quinn, 2011; Ouchi, 1981; Williamson, 1975).

2.1.4 Importance of Culture for Organizational and Individual Performance

For companies to be able to fulfill their core tasks and continue to achieve their goals, they must survive economically (Schein, 2004). One way to achieve that is by possessing specific company resources and the competitive advantage they generate (Barney, 1986, 1991).

According to the RBV, which has become a key perspective in strategic management, not all resources a firm holds are equal regarding their ability to contribute to sustained competitive advantage. It shifts the focus from external market conditions to internal resources as the primary sources of sustained competitive advantage (Barney, 1991). Resources in this context are tangible and intangible assets, capabilities, organizational processes, knowledge, and other factors a firm controls (Daft, 1983). They can be divided into three categories: physical resources, including the technology and equipment used in a firm and the geographical location of the company (Williamson, 1975); human resources, including training, experience, perspectives, intelligence, and relationships of employees (Becker, 1964) and organizational resources, including a firm's reporting structure, internal relationships and the relationship the company has with its external environment, formal and informal planning, controlling and coordinating systems (Tomer, 1987).

For a resource to be a source of competitive advantage, it must be unique, meaning not possessed by competitors; valuable, meaning the ability to exploit opportunities or neutralize

threats; inimitably, meaning that resources should be difficult to imitate by competitors and non-substitutability, meaning that resources should not have substitutes or alternatives (Barney, 1986, 1991; Lippman & Rumelt, 1982; Rumelt, 1984). Certain corporate cultures can be a source of sustained competitive advantage and solid financial performance. Companies that have a culture based on specific assumptions and values can create unique outcomes for their employees, customers, and suppliers, which in turn, leads to positive economic results that other companies cannot achieve without such cultures. For example, companies prioritizing customer orientation and satisfaction tend to maintain a strong connection with their customers. This connection can provide them with timely market information and opportunities for joint product development, foster brand loyalty, and ultimately lead to increased sales and higher profit margins (Barney, 1986; Deal & Kennedy, 1982; Ouchi, 1981). To enjoy a lasting competitive advantage, companies must cultivate a valuable, rare, and inimitable culture. Valuable in this sense means that the culture and the associated values and assumptions enable the company to act in a way that generates high sales, low costs, and high profit margins, thus adding financial value to the company (Peters & Waterman, 1982). To evaluate its success and performance, an organization must agree on goals derived from its core mission and the criteria used to measure how well a group meets those goals (Schein, 1980, 1983). Even if an organization's culture maintains a competitive advantage, solid financial and individual performance, and commitment, it does not mean that these cultural advantages will continue to be beneficial in changing economic and competitive circumstances. Therefore, a company needs to engage in cultural change as a necessary step to adapt to changing circumstances (Cameron & Quinn, 2011; Lippman & Rumelt, 1982). According to Rivera (2012), corporate cultures are sustained by a continuous interplay between attraction, selection, and attrition. Individuals tend to be attracted by organizations with similar characteristics, values, and preferences. On the other hand, organizations tend to choose individuals that would fit their existing culture, while those who don't fit tend to leave over time. After a person becomes part of an organization, they start to adjust to the company's culture, which is termed as enculturation (Srivastava et al., 2018). However, there is a lack of consensus in the literature on the issue of cultural heterogeneity between employees within a company and its impact on organizational coordination, efficiency, and, ultimately, performance. Some scholars (Kotter & Heskett, 1992; Denison & Mishra, 1995; Weber & Camerer, 2003; Gordon & DiTomaso, 1992; Kreps, 1996) argue that cultural incompatibility between employees leads to difficulties in task coordination and is therefore detrimental to organizational performance as it undermines interpersonal integration and

cohesion. In contrast, economic and cultural sociologists such as Swidler (1986), Hallett and Ventresca (2006), and Stark (2011) argue that when an organization has a wide range of cultural resources in the form of employees, it has a greater capacity for creativity and innovation to respond to changing, uncertain and competitive environmental demands. Corritore et al. (2020) argue that cultural heterogeneity can exist not only on an interpersonal level but also on an intrapersonal level, whereby an individual holds multiple cultural beliefs in relation to an organization. The authors suggest that companies can avoid the disadvantages of cultural heterogeneity by increasing intrapersonal heterogeneity and keeping interpersonal heterogeneity constant, thus improving profitability without compromising innovativeness. Cultural fit between employee and company evidently results in positive outcomes such as individual success, job satisfaction, motivation, identification and attachment to the organization, and reduced stress (O'Reilly et al. 1991, Chatman 1991, Meglino et al. 1989). In a study on employee enculturation trajectories, Srivastava et al. (2018) found that employees with a high cultural fit were 48% more likely to get promoted to leadership positions within their organizations. In contrast, individuals with a low cultural fit are four times more likely to leave the organization involuntarily than those with a high cultural fit.

Organizational culture furthermore plays a pivotal role in shaping employee's behaviors and attitudes and how they perceive their work environment through cultural dimensions of values, norms, and organizational practices. For firms to maximize productivity, it is crucial to coordinate the activities and behaviors of employees working on interdependent tasks. To achieve this, corporations use control systems that define goals, evaluate deviations from these goals, and provide feedback to individuals so that they can adjust and coordinate their activities accordingly. Chatman and O'Reilly (2016) argue that cultural norms are critical in this process because they can be expressed and reported by organizational members, translating them into observable behaviors and attitudes. These norms can act as social control systems that shape the perception of what is appropriate and expected in the organizational context, controlling individuals' behaviors and attitudes. Employees need to accept the norm of respecting authority for this mechanism to function effectively. Without this acceptance, employees may resist authority decisions, making coordination and control of behavior impossible.

Ristino and Michalak (2018), who conducted a qualitative study on the perception of employees, assume that the more a member of the organization (manager, leader, employee) thinks about and evaluates specific cultural encounters, the more influential those encounters are on the member's perception of the organization. An individual's thoughts and their valence

(positive or negative) affect the direction and extent to which a person, place, or thing influences those individual's attitudes (Petty et. al. 2002). The study found that employees perceive their work more positively when their company has clear values and missions and communicates them consistently, compared to those without specific values. In addition, core beliefs can motivate employees to achieve goals, behave proactively, tolerantly, and professionally toward others, and accept changes when they are consistent with organizational attitudes and values. Conversely, a negative attitude of employees toward the company's fundamental beliefs can have a negative impact on their motivation (Gregory, 2009; Ristino and Michalak, 2018).

Finally, culture can have significant positive and negative impacts on individual outcomes, including job satisfaction, commitment, and turnover, as well as significant organizational outcomes, such as customer satisfaction, product quality, interpersonal coordination, groups' creativity and innovation, as well as financial performance and firm effectiveness (Chatman & O'Reilly, 2016; Gregory et al., 2009).

2.2 Promotion

"Selection is the process within human resource management of matching workers to jobs to maximize organizational productivity and performance." (Phelan & Lin, 2001, p. 208).

Various methods can be used, such as lateral movement, in which an employee changes task area or department but remains at the same hierarchical level. Another option is inclusionary movement, in which candidates are recruited from outside the organization. Employees moreover can move vertically by transitioning to a higher hierarchy level (Schein, 1978, 1987). When staffing positions of higher responsibility, classic promotion is the most widely used mechanism. This is because candidates from within the organization have acquired company-specific skills that external candidates must first acquire (Allen, 1997; Gibbons et al., 1999; Lazear & Rosen, 1981). Second, managers have more information available about internal employee's ability, motivation, and performance (Baker et al., 1995; Barron et al., 1985; Wholey, 1985). A clear and concise process outlining the criteria for employee promotions is crucial; otherwise, candidates may be selected for promotions that do not align with the organization's and position's needs (Fancher, 2009). Therefore, it is important to highlight the specific results and behaviors expected within the organization. By using promotions as an incentive system in combination with performance appraisals that recognize, and reward good employee performance employers can motivate employees to align their behavior and actions with the organizational rules and norms and keep their efforts and

performance high to climb the career ladder (Ferris et al., 1992; Lambert et al., 1993; Rohman et al., 2018; Schein, 2004). Various factors influence promotions and promotion processes. Employee demographics, including age, gender, and education, as well as non-demographic data such as communication patterns, behaviors, and competencies, play a crucial role in promotions (Blau & DeVaro, 2007; Ferris et al., 1992; Woolley et al., 2010). Additionally, the department where an employee works, the region in which the company is located, the employee's previous work experience, as well as the type of position being filled and an organization's cultural values can also be influential factors (Liu et al., 2019; Kerr & Slocum, 1987; Kopelman et al., 1990).

2.2.1 Importance of Promotion Systems for Organizational Culture

Promotions can be challenging for companies as they are personal and relationship-based issues. Employers must tailor their promotion methods to align with their values and priorities, as each organization has its unique culture. Promotion systems, especially in combination with socialization tactics that convey the company's cultural assumptions, serve as important tools for embedding and sustaining culture. Systematic promotions of internal employees, whose perspectives and assumptions are adapted to changing external circumstances, provide a suitable mechanism for change of culture. Change is a sensitive process, and employees may resist it but are more likely to accept it, if it is implemented by an employee who is seen as an insider. Employees who are familiar with the company's culture and accept it are suitable for systematic promotions as they are credible to their team members. Because of their personality, their experiences, or the subculture they work in, they hold assumptions that differ to a certain extent from the company's overarching assumptions and can, therefore, gradually move the company and its members to new ways of thinking and acting (Schein, 2004).

A sound promotion system can assist an organization in selecting the most suitable individuals for positions of greater responsibility, increasing the likelihood of employees making an effort by double. It can also influence how employees perceive fairness, transparency, and opportunities for growth within the organization, which can shape their commitment, motivation, and alignment with the company's values and norms (Lazear & Rosen, 1981; Rohman et al., 2018).

As Rohman et al. (2018, p. 1) stated, "How you promote people can make or break culture" and moreover significantly impact employee outcomes such as job satisfaction, commitment, and turnover intentions. The availability of promotion opportunities and their evaluation

criteria are crucial factors affecting these outcomes (Mowday et al., 1982; Super & Minor, 1987). Also, if employees feel that their career aspirations are not supported, promoting one employee can lead to resentment among others instead of fostering a supportive work environment. The promotion process should also support and encourage employees' goals and aspirations while being transparent and trustworthy. If an employee experiences concerns such as unfairness in their employer's promotion process or performance evaluations, they might feel dissatisfied and lack trust, efforts may decrease and employees choose to leave the company voluntarily (Hurka, 1983; Lawler, 1973; Rhode et al., 1977). Promotion equity refers to the extent to which employees consider their company's promotion system to be fair (Beehr et al., 2004). This concept is based on the theories of equality and justice (Adams, 1965; Thibaut & Walker, 1975). Employees compare their own performance and the associated reward (e.g. promotion) with that of their colleagues; if the result is the same, the promotion system is considered fair. Therefore, ensuring that all employees have equal opportunities for development within the organization is crucial. However, employees are often poorly informed about how promotion decisions are made. Therefore, they are likely to develop their own perceptions of the promotion system used. These perceptions of promotions can have a significant impact on employee's attitudes and behaviors in the workplace and can lead to a range of emotional reactions (Tzafrir & Hareli, 2009). In this context scholars recommend examining a wide range of outcomes that may result from perceptions of HR management practices such as promotions (Webster & Beehr, 2013).

H1: Employees who perceive their promotion process as fair, transparent, and providing equal opportunities view their organization's culture as positive.

Different promotion systems, such as merit-based, up-or-out, seniority-based, or competency-based, can send distinct cultural messages about what the organization values and prioritizes in its workforce (Phelan & Lin, 2001).

2.2.2 Types of Promotion Systems

Merit-Based-System

Most companies use a merit-based system (MBS) to rate employees' performance according to the job needs for which they are employed and, in that course, promote the best individual

performers. Those who did not meet the expected performance standards are not promoted and remain in their current positions (Dwivedi, 1981; Lazear & Rosen, 1981).

There are two types of MBS: absolute and relative. In the absolute form, the candidate must perform beyond a given level in the past, present, or future to be considered for promotion. In the relative MSB, candidates' eligibility for promotion is measured purely by performance, regardless of their absolute level of performance. In this process, those candidates who perform best are promoted while the others are sanctioned. It is important to note that an absolute MSB promotes only the best qualified candidates by ensuring their performance is above the established mean. In relative MSB, a candidate may not have performed well per se but may still be promoted because he or she performed better than the other candidates (Phelan & Lin, 2001).

Up-or-Out System

Up-or-out models are often used to assess the performance of junior employees. Under this approach, employees are evaluated based on their performance within a specific timeframe. If they meet the expected performance standards during this period, they are promoted; if they fail to perform as expected, they must leave the company (O'Flaherty et al., 1995; Waldman, 1990). After employees have mastered one or two up-or-out rounds, most companies change their promotion strategy for these employees to merit-based systems. The advantage of such systems is that they create a workforce of high performers, as only those who meet or exceed the performance expectations are retained, enabling them to increase their company's performance (Phelan & Lin, 2001).

Seniority-Based Systems

Promotion based on an employee's seniority is widely used, but it has recently lost popularity. This approach promotes employees with the most experience in the job, organization, or industry, as it assumes that experienced employees contribute more significantly to company productivity due to their experience (Dobson, 1988; Mills, 1985). Schein (2004) argues that the deeper an employee moves within the organization, the more insight he or she gains into the assumptions and values of the culture. Therefore, senior employees can be mentors and role models, passing company values and norms on to younger staff (Kerr & Slocum, 2005). Seniority furthermore is a valuable performance indicator for companies that focus on stability and continuity, where employee tasks, roles, and career development are highly standardized and rarely change. When the mentioned attributes of a company vary, a

promotion system based on seniority cannot guarantee that the most suitable employee for a position will be promoted; in this case, seniority is a weak selection criterion. Seniority-based promotion systems provide clear career paths and succession planning, low turnover and objectivity in the promotion process (Dobson, 1988).

Competency-Based System

In a competency-based promotion system, an employer must define concrete organizational competencies, i.e., the specific skills that an employee must meet in his or her current position to be promoted to the next level. Such a system not only serves as the basis for promotion, but also for recognition, rewards, and performance enhancement. To measure the success of employees within this promotion system, employers should define the behaviors associated with the competencies. In any organization, employees are expected to possess specific core competencies and behaviors. However, employees should not be expected to hold all the competencies required in a company. Accordingly, it is important to recognize each employee's individual differences and strengths and teach them the value of working interdependently, adapting to different situations, and cooperating with others, as the collective output of a team is far greater than that of individuals working independently (Martone, 2003).

In their literary analysis of how HR management systems can impact organizational performance, Bowen and Ostroff (2004) highlight the importance of assessing how these systems can affect social structures, such as the culture of an organization. This assessment can help determine how HRM systems can be leveraged to enhance organizational performance. As explained in chapter 2.1.4, culture can also be an important aspect of firm performance. Furthermore, the way in which employees perceive the corporate culture (positively or negatively) can influence their attitudes and behaviors, which in turn can have an impact on firm effectiveness (Ristino & Michalak, 2018). For this reason, it makes sense to first analyze the relationship between different promotion systems and corporate cultures and their effect on the perception of organizational culture. Since there is no previous research on this topic, the study will use an explanatory analysis instead of a hypothesis to investigate this relationship. Practitioners can use insights from this analysis to ensure that promotion systems are aligned with the existing culture within their organization, fostering a positive work environment. Given this background, the following research question arises:

RQ2: What is the impact of different corporate cultures in combination with different promotion systems on the perception of culture?

3. Methodology

This chapter examines the research methodology, including the research design, sample, and data analysis that form the methodological framework for the empirical study. Two research methods were used to analyze the relationship of organizational culture and promotion systems. Primary data was collected through a standardized survey, secondary data was collected through expert interviews. The survey serves as the basis for the hypothesis and research question analysis, while the interviews ought to support the findings and compare them to the literature.

3.1 Primary Research Design – Survey

To analyze the hypothesis and research question proposed in chapter 2 it is essential to gather data from a wide array of employees from different companies. A diverse dataset enables the identification of trends and patterns beyond individual cases, providing a more comprehensive understanding of the relationships between organizational culture and promotion systems. Therefore, the decision was made to conduct an online survey focusing on employees and working students. Specifically, a standardized questionnaire with closed-ended questions was used, where all participants are asked identical questions in an identical format, and responses are recorded and scored in a specific, consistent fashion (Boynton & Greenhalgh, 2004). The survey was published in English and German to ensure maximum participation and minimize the risk of drop-outs due to language barriers since it was primarily distributed in Germany. It consists of 15 questions, beginning by asking participants about their demographics, such as age, gender, income, tenure, country of residence, employment status, and educational background. Respondents who stated on the employment status that they are students, unemployed, or freelancer got excluded from the survey. Following this, the survey progresses to employment specifics, such as company size, industry, department, and role, categorized as non-manager, first-level manager, or higher managerial role. The survey then explores the organizational culture aspects using the Organizational Culture Assessment Instrument (OCAI) by Quinn and Cameron (2006). It is well-researched, validated, and compact with requiring participants to respond to six aspects (dominant characteristics, organizational leadership, management style, organizational glue, strategic emphases, and criteria of success) that reliably represent an organization's culture. Initially, participants must

divide 100 points over the four statements for each organizational item, assigning the most points to the most accurate statement and the least or none to the statement that doesn't fit their organization. Given that open-text field questions are often associated with high survey drop-out rates, a 5-point scale was used to rate the statements instead. In that case, participants can assign 0, 25, 50, 75, or 100 points, noting that the total number of points for all four statements of a cultural aspect should not exceed 100 points (see *Appendix A – Q12*). The following section of the survey asks the participants to evaluate three statements relating to the identification, perception, and affiliation with their company's organizational culture. Respondents were provided with a 5-point Likert scale with answer options from 1 - strongly disagree to 5 - strongly agree.

In the next step the survey requests information on the promotion system used in the respondent's company. The respondents were given seven promotion system options in multiple-choice format, where they could choose between one of the five promotion systems described in chapter 2.2.2 of the paper or if their company uses a different promotion system or no specific promotion system for their position. As a final step, the participants are presented with three statements that assess their promotion system's transparency, fairness and equity. The respondents can, again, rate each statement using a 5-point Likert scale ranging from 1 -strongly disagree to 5 - strongly agree. The average time taken to complete the questionnaire was around 8 minutes.

3.2 Survey Sample Demographics

The respondents for this study were recruited through social media channels such as Instagram, WhatsApp, and LinkedIn, as well as through the survey platform "Survey Circle". Out of the 183 respondents, 110 are women and 73 are men. Around 58% of the sample are full-time employees, 10.38% are part-time employees, and 32.24% working students. Regarding age distribution, the majority of the respondents are 34 years old and younger (83.61%), while 10.93% are between 35 und 44 Jahre years old. Only 5.46% of the respondents are 45 or older. 40.44% of the respondents have a bachelor's degree, and 31.69% have a master's degree. 16.94% have completed professional training, 9.29% have a secondary education. Only 1.09% of the participants have less than a secondary education and 0.55% have a doctoral degree. Most respondents (91.80%) are based in Germany, while 4.37% live in Switzerland and Austria. The remaining 3.83% live in Armenia, Bulgaria, France, Italy, Norway, Portugal, and the United Arab Emirates. Regarding income, 29.5% of the respondents indicated an annual income before taxes of less than 25.000 euros. Around

17% earn between 25.000 and 49.999 euros and 36% earn between 50.000 and 99.999 euros annually. Only 13.11% earn more than 100.000€ per year and around 5% of respondents prefer to keep their income private. In this sample, 24,59% have been with their current employer for less than one year, 35,52% for 1-2 years, 22,95% for 3-4 years and 16,94% for five or more years. The majority of respondents (59%) work for companies with more than 249 employees. 24.59% of the respondents work for companies with 50 to 249 employees, while 16,39% work for companies with fewer than 49 employees. Regarding the role, only around 5.5% of the respondents hold a management position higher than first level, 14% hold a first level management position and the rest of the population are in a non-management position. The distributions of the respondents across departments (see *Figure 2*) and of the industries their employers operate in (see *Figure 3*) look as follows;

Figure 2: Distribution of Department (N=183)

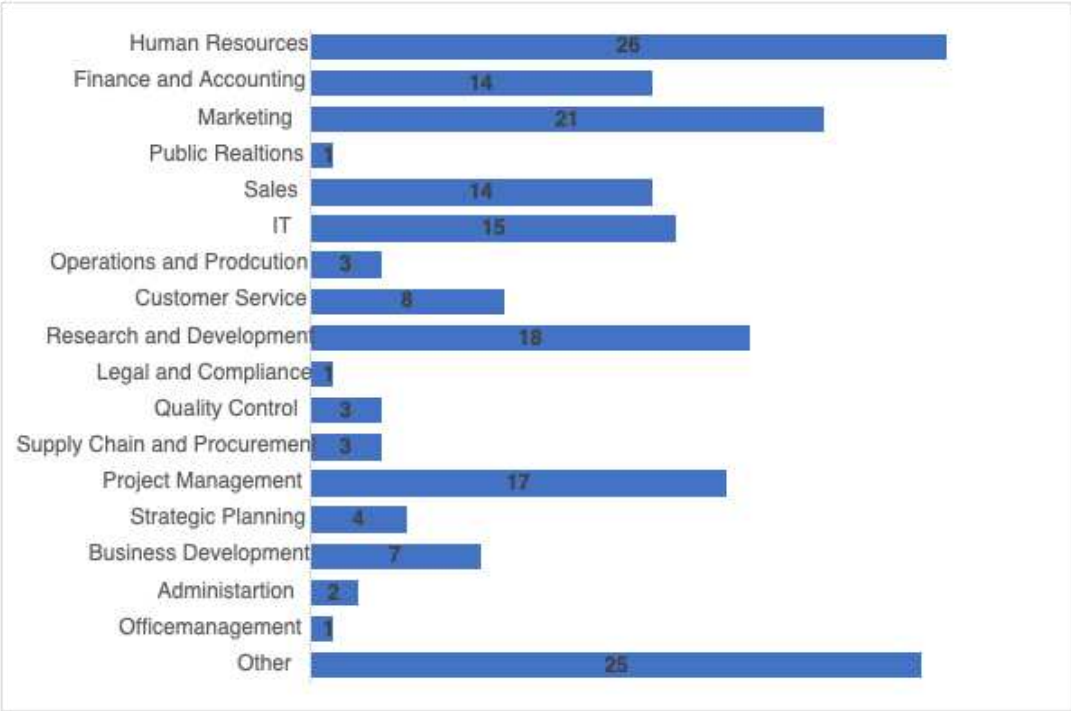
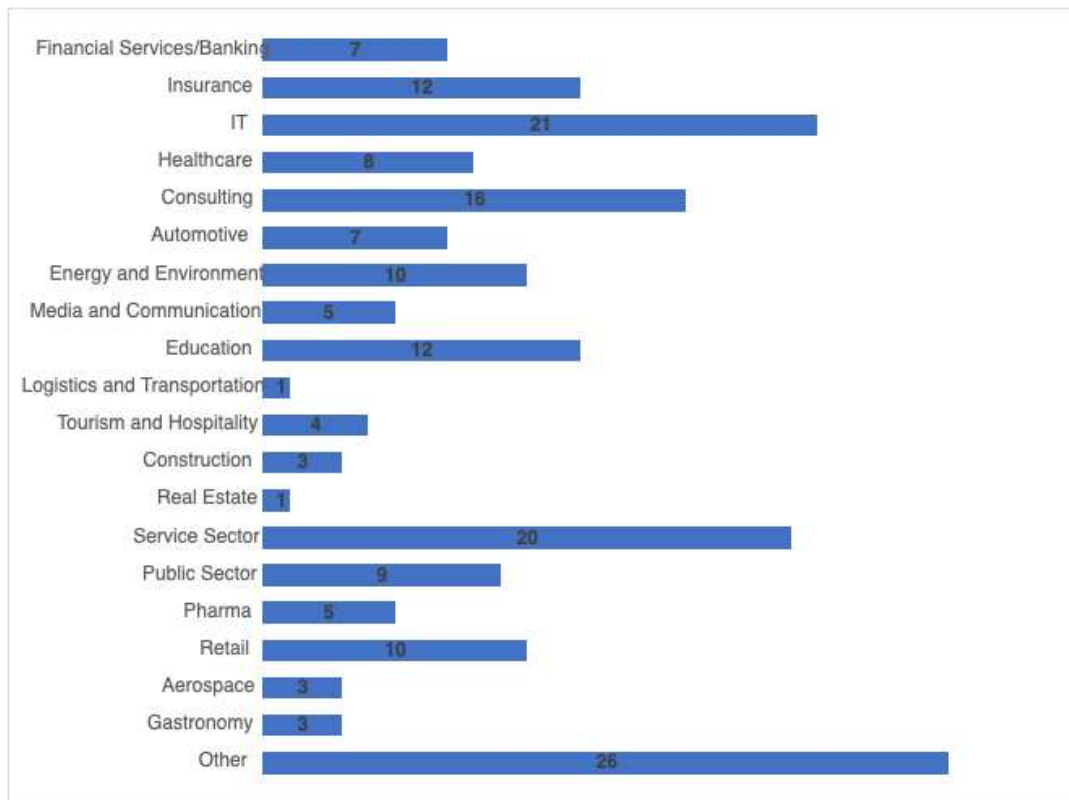


Figure 3: Distribution of Industry (N=183)



3.3 Variable Creation

The hypothesis states that perception of the promotion process can directly affect the perception of organizational culture. The dependent variable for the study is focused on the employee's perception of organizational culture. To create the variable (perception_culture) the row-wise mean of the variables related to identification, belonging and perception of culture with a mean of 3.56 and a standard deviation of .832 was calculated.

To measure the employees' perception of the promotion system the row-wise mean of the questions related to the promotion system's fairness, transparency and equity was calculated. The resulting mean values provide a summary measure of the central tendency for each observation across the specified variables, creating a new variable "perception_promotion" with a mean of 2.99 and a standard deviation of .995.

To test the hypothesis and research question OLS regression analyses with robust standard errors, providing more reliable standard errors and confidence intervals, were conducted, using different moderator variables to identify under what conditions the effect of the interaction term is more pronounced. The control variables gender, age, education (1 = less than secondary education, 2 = secondary education, 3 = professional training, 4 = bachelor's degree, 5 = master's degree, 6 = doctoral degree), income, tenure (1 = less than 1 year, 2 = 1-2

years, 3 = 3-4 years, 4 = 5+ years), department, industry, country, company size, role (1 = non-management position, 2 = first level management position, 3 = higher than first level management position), employment (1 = working student, 2 = part-time employed, 3 = full-time employed), fairness, equality and transparency of the promotion system (1 – strongly disagree to 5 – strongly agree) were added as possible influences on the explanatory variables.

3.4 Secondary Research Design – Expert Interviews

To gain profound insights into the relationship between corporate culture and promotion systems, a qualitative research approach was employed, conducting semi-structured expert interviews (Adams, 2015). Three interviews were conducted with experts specializing in human resources, including HR managers and employee development experts (see *Table 1*). The semi-structured interview format, comprising 16 open-ended questions, allowed the participants to share their experiences and perceptions about the organizational culture and promotion processes within their respective companies. The interview guide was created based on the literature research and the survey questions. During some interviews, further questions were asked to gain deeper insights based on the interviewees' answers. Before the interview, the interviewees answered a questionnaire to determine the prevailing culture in their company, using the same approach of the OCAI by Quinn and Cameron (2006) used in the survey (see *Appendix A – Q12*). Semi-structured interviews are ideal for exploring complex topics, as they provide both standardized data collection and the flexibility to explore emerging perspectives. Interviewing HR professionals is critical in this context as they have firsthand insights into the formulation and implementation of corporate policies, making them valuable sources for analyzing the dynamics between organizational culture and promotion mechanisms. The experts were contacted through personal and professional networks such as WhatsApp and LinkedIn. The interviews were conducted via Microsoft Teams or in person, held in German and lasted between 35 to 55 minutes. Finally, the results were analyzed using Mayring's (1994) structured content analysis and then coded into six categories (see *Appendix C*). Aim of the structuring content analysis is to assess the material according to predefined criteria. Individual statements made by the interviewees are assigned to a coding guide created for this purpose.

Table 1: Overview of interviewed HR Experts

Interview ID	Duartion	Gender	Age	Current Position	Tenure	Industry
Expert 1	55 minutes	female	35	People Business Partner – Employee Development	5 years	Insurance
Expert 2	40 minutes	male	42	HR Manager	2 years	Energy& Environment
Expert 3	35 minutes	female	49	HR Manager	3 months	Energy& Environment

4. Result Analysis

This section is divided into two parts, where the first part evaluates the data gathered from the online survey regarding the hypothesis and research questions and the second part elaborates on insights gained from expert interviews.

4.1 Survey Results

4.1.1 Descriptive Statistics

Out of the 183 observations, 54 respondents reported that their company has a clan culture, 52 reported a market culture, 28 reported a hierarchy culture, and 22 reported an adhocracy culture. The remaining 27 respondents perceived a mixed culture and were accordingly assigned to two cultures. In addition, the respondents were asked to rate three statements relating to the identification, perception, and affiliation with their company's organizational culture, with overall mean scores of 3.67 for belonging, 3.46 for identification and 3.54 for positive perception of culture.

The survey results showed that 16 respondents were promoted based on absolute merit or an up-or-out promotion system. 19 respondents were promoted based on relative merit, 32 on a seniority-based, and 23 on a competency-based promotion system. 10 respondents stated that there is no specific promotion system used in their position. 67 respondents stated that a promotion system other than those available is used in their position.

The survey also asked respondents to rate their promotion systems based on transparency, fairness, and equality. The overall mean score for fairness was 3.04, for transparency, 2.75, and 3.18 for equality.

4.1.2 Statistical Results

Hypothesis Test

The result in table 2 shows a significant (1% level) positive effect of the perception of promotion on the perception of culture, this means on average if the perception of the promotion system being fair, transparent, and providing equal opportunities increases by one unit, the positive perception of culture increases by .441, holding other variables constant. In addition, the variables tenure, role, and education have a positive significant effect (10% level) on the perception of culture in this context. An increase of one unit in education leads to a .118 increase in the positive perception of culture, holding other variables constant. This implies that employees with higher levels of education tend to perceive the corporate culture more positively than employees with lower levels of education. On average, a one unit increase of role leads to a .146 increase in the positive perception of culture, holding other variables constant. This suggests that employees in higher positions tend to perceive the corporate culture more positively than employees in lower positions. On average, if tenure increases by one unit, the positive perception of culture increases by .102, holding other variables constant. This implies that employee who have been longer with their company perceive the corporate culture more positively than employees with shorter tenures.

Table 2: Effect of Perception of Promotion on Perception of Culture

Perception of Culture	
Dependent variable:	
perception_promotion	0.441*** (0.062)
Gender	-0.081 (0.118)
Age	-0.026 (0.075)
Education	0.118* (0.062)
Country	-0.046 (0.041)
Income	-0.015 (0.045)
Tenure	0.102* (0.058)
Size	-0.114 (0.075)
Industry	-0.005 (0.007)
Department	-0.009 (0.009)
Role	0.146* (0.080)
Constant	2.237*** (0.520)

Note: *p<0.1; **p<0.05; ***p<0.01

Explanatory Analyses of the Promotion-Culture Fit

The second part of the analyses examines how different promotion systems might impact the perception of culture depending on different cultural types based on the OCAI framework. Five OLS regression analyses with robust standard errors were conducted, using different moderator variables to identify under what conditions the effect of the interaction term is more pronounced.

Table 3: Effect of Absolute MBS on Perception of Culture

Perception of Culture	
	Dependent variable:
Promotion.factAbsolute	-1.074* (0.605)
Culture.factAdhocracy	0.175 (0.209)
Culture.factClan	0.282 (0.217)
Culture.factMarket	-0.279 (0.212)
Culture.factHierarchy	-0.047 (0.204)
Employment	0.169* (0.088)
Education	0.112 (0.074)
Country	0.019 (0.038)
Industry	-0.005 (0.009)
Tenure	0.053 (0.063)
Income	-0.056 (0.067)
Promotion.factAbsolute:Culture.factAdhocracy	0.856* (0.516)
Promotion.factAbsolute:Culture.factClan	0.908* (0.507)
Promotion.factAbsolute:Culture.factMarket	1.038* (0.528)
Promotion.factAbsolute:Culture.factHierarchy	-0.348 (0.512)
Constant	2.683*** (0.412)

Note: *p<0.1; **p<0.05; ***p<0.01

The results in table 3 show that the absolute merit-based promotion system has a negative significant effect (10% level) on the perception of organizational culture, meaning that on average if absolute MBS increases by one unit, the positive perception of organizational culture decreases by 1.074, holding other variables constant. The interaction terms show, that the absolute MBS in combination with an adhocracy, clan and market culture has a positive significant (10% level) effect on the perception of organizational culture, while this effect is negative, but not significant, in combination with a hierarchy culture.

The positive significant interaction effect of the absolute merit-based promotion system with the adhocracy, clan and market cultures suggests that the negative impact of the absolute merit-based promotion system on the perception of culture is less pronounced in contexts characterized by these cultures. Furthermore, the variable employment as a significant positive effect (10% level) on the perception of corporate culture in this context. This result can be interpreted as follows: on average, if employment increases by one unit, the positive

perception of culture increases by .169, holding other variables constant. This means that employees who work full-time, tend to have a more positive perception of the corporate culture than employees who work part-time or as working students.

Table 4: Effect of Relative MBS on Perception of Culture

Perception of Culture	
Dependent variable:	
Promotion.factRelative	0.577 (0.352)
Culture.factAdhocracy	0.132 (0.181)
Culture.factClan	0.338** (0.171)
Culture.factMarket	-0.067 (0.167)
Culture.factHierarchy	0.017 (0.172)
Education	0.119** (0.054)
Gender	-0.150 (0.115)
Fairness	0.348*** (0.051)
Department	-0.009 (0.010)
Promotion.factRelative:Culture.factAdhocracy	-0.049 (0.359)
Promotion.factRelative:Culture.factClan	-0.272 (0.371)
Promotion.factRelative:Culture.factMarket	-0.239 (0.303)
Promotion.factRelative:Culture.factHierarchy	-0.898** (0.350)
Constant	2.179*** (0.469)

Note: *p<0.1; **p<0.05; ***p<0.01

The results in table 4 show that the relative merit-based promotion system has a positive but not significant impact on the perception of organizational culture, meaning that on average if relative MBS increases by one unit, the positive perception of organizational culture increases by .577, holding other variables constant. The interaction terms show, that the relative MBS when combined with different cultures has a negative effect on the perception of organizational culture, while this effect is only significant in combination with a hierarchy culture. The negative significant interaction effect with hierarchy culture suggests that the positive impact of the relative merit-based promotion system on the perception of culture is less pronounced in contexts characterized by a high level of hierarchy culture. In addition, the variables clan culture, education, and fairness also have a positive significant effect on the

perception of culture in this context. These results can be interpreted as follows: on average, if clan culture increases by one unit, the positive perception of culture increases by .338, holding other variables constant. On average, if education increases by one unit, the positive perception of culture increases by .119, holding other variables constant. On average, if the perceived fairness of the promotion system increases by one unit, the positive perception of culture increases by .348, holding other variables constant.

Table 5: Effect of Up-or-Out Promotion System on Perception of Culture

Perception of Culture	
	Dependent variable:
Promotion.factUpOut	-0.589* (0.328)
Culture.factAdhocracy	0.222 (0.228)
Culture.factClan	0.341 (0.227)
Culture.factMarket	-0.304 (0.224)
Culture.factHierarchy	-0.069 (0.206)
Employment	0.168** (0.074)
Age	0.016 (0.083)
Tenure	0.056 (0.066)
Size	-0.057 (0.086)
Promotion.factUpOut:Culture.factAdhocracy	0.403 (0.297)
Promotion.factUpOut:Culture.factClan	0.181 (0.283)
Promotion.factUpOut:Culture.factMarket	0.814*** (0.291)
Promotion.factUpOut:Culture.factHierarchy	0.955*** (0.319)
Constant	3.072*** (0.385)

Note: *p<0.1; **p<0.05; ***p<0.01

The results in table 5 show that the up or out promotion system has a significant negative effect (10% level) on the perception of organizational culture, meaning that on average if up or out promotion system increases by one unit, the positive perception of organizational culture decreases by .589, holding other variables constant. The interaction terms show, that the up or out promotion system in combination with the different cultures has a positive effect on the perception of organizational culture, while this effect is only in combination with the market culture and hierarchy culture significant (1% level). The positive significant

interaction effect of the up or out promotion system with the market and hierarchy cultures suggests that the negative impact of the up or out promotion system on the perception of culture is less pronounced in contexts characterized by these cultures. Additionally, in this context, the variable employment also has a positive significant effect (5% level) on the perception of corporate culture. This result implies that, on average, if employment increases by one unit, the positive perception of culture increases by .168, holding other variables constant.

Table 6: Effect of Seniority-Based Promotion System on Perception of Culture

Perception of Culture	
Dependent variable:	
Promotion.factSeniority	-0.156 (0.099)
Culture.factAdhocracy	0.020 (0.061)
Culture.factClan	-0.045 (0.058)
Culture.factMarket	-0.147** (0.066)
Culture.factHierarchy	-0.037 (0.069)
Education	-0.010 (0.016)
Industry	0.001 (0.002)
Equality	0.483*** (0.021)
Transparency	0.454*** (0.020)
Promotion.factSeniority:Culture.factAdhocracy	0.065 (0.094)
Promotion.factSeniority:Culture.factClan	0.233** (0.092)
Promotion.factSeniority:Culture.factMarket	0.106 (0.096)
Promotion.factSeniority:Culture.factHierarchy	0.019 (0.099)
Constant	0.319*** (0.117)

Note: *p<0.1; **p<0.05; ***p<0.01

The results in table 6 show that the seniority-based promotion system has a negative but not significant effect on the perception of organizational culture, meaning that on average if seniority-based promotion system increases by one unit, the positive perception of organizational culture decreases by .156, holding other variables constant. The interaction terms show, that the seniority-based system in combination with the different cultures has a positive effect on the perception of organizational culture, while this effect is only in combination with the clan culture significant (5% level). The positive significant interaction

effect of the seniority-based promotion system with the clan culture suggests that the negative impact of the seniority-based promotion system on the perception of culture is less pronounced in contexts characterized by a high level of clan culture. Furthermore, in this context, the variables equality and transparency in relation to the promotion system have a positive significant effect (1% level) on the perception of culture. Market culture has a negative significant effect (5% level) on the perception of culture. These results imply that, on average, if perceived equality of the promotion system increases by one unit, the positive perception of culture increases by .483, holding other variables constant. On average, if the perception of fairness of the promotion system increases by one unit, the positive perception of culture increases by .454, holding other variables constant. On average, if market culture increases by one unit, the positive perception of culture decreases by .147, holding other variables constant.

Table 7: Effect of Competency-Based Promotion System on the Perception of Culture

Perception of Culture	
Dependent variable:	
Promotion.factCompetency	-0.311 (0.420)
Culture.factAdhocracy	0.199 (0.167)
Culture.factClan	0.200 (0.169)
Culture.factHierarchy	-0.140 (0.184)
Culture.factMarket	-0.085 (0.165)
Employment	0.192*** (0.058)
Department	-0.007 (0.009)
Fairness	0.343*** (0.065)
Transparency	0.029 (0.062)
Promotion.factCompetency:Culture.factAdhocracy	-0.150 (0.673)
Promotion.factCompetency:Culture.factClan	0.435 (0.407)
Promotion.factCompetency:Culture.factHierarchy	0.548* (0.312)
Promotion.factCompetency:Culture.factMarket	-0.139 (0.401)
Constant	2.004*** (0.321)

Note: *p<0.1; **p<0.05; ***p<0.01

The results in table 7 show that the competency-based promotion system has a negative but

not significant effect on the perception of organizational culture, meaning that on average if competency-based promotion system increases by one unit, the positive perception of organizational culture decreases by .311, holding other variables constant. The interaction terms show, that the competency-based system in combination with an adhocracy and market culture has a negative effect on the perception of organizational culture, while this effect is not significant. In addition, this promotion system in combination with the hierarchy and clan culture has a positive effect on the perception of culture, while this effect is only significant in combination with a hierarchy culture (10% level). The positive significant interaction effect with hierarchy culture suggests that the negative impact of the competency-based promotion system on the perception of culture is less pronounced in contexts characterized by a high level of hierarchy culture. Additionally, the variables fairness and employment also have a positive significant effect (1% level) on the perception of culture, in this context. These results imply that, on average, if the perceived fairness of the promotion system increases by one unit, the positive perception of culture increases by .343, holding other variables constant. On average, if employment increases by one unit, the positive perception of culture increases by .192, holding other variables constant.

4.2 Expert Interviews

4.2.1 Culture Type and Promotion System

All three experts perceived an adhocracy culture in their company, with expert 1 perceiving a mix between an adhocracy and market culture due to the company's shift in focus from growth to profitability and efficiency. However, innovation, change, and customer orientation remain important. The experts agreed that innovation, collaboration, and mutual support between teams are essential components of their cultures. Experts 1 and 2 emphasized that their company's culture is characterized by a willingness to take risks. Experts 2 and 3 also highlighted the significance of diversity and sustainability in their culture. Expert 3 states that their company's culture is characterized by a shared purpose of improving the lives of people worldwide through climate projects and a shared value of appreciating and respecting nature and individuals.

Regarding their promotion system, experts 1 and 2 stated that their company is currently developing position profiles with defined competencies. According to expert 1, employees are considered for promotion if they meet the competencies required for a particular position and fit in well with the corporate culture. Expert 2 explained that employees are eligible for promotion if they possess certain qualities such as expertise, responsibility, and impact on the

company's success, processes, products, features, and systems. Expert 3 stated that assessments for promotions are based on a combination of qualitative and quantitative factors, including customer satisfaction, the number of customers an employee serves, the revenue the employee brings in, the development they have made in their position, and their potential to take on a leadership position in the future. She added that the decisions for promotion depend on the situation and the individual. In addition, she explained that an employee must demonstrate long-term performance and that the short-term fulfillment of these factors cannot lead to a promotion. Expert 2 and 3 explained that it is important not only for an employee to achieve their goals but also how they have achieved them and whether they have demonstrated desirable behaviors in the process. All three experts state that the availability of promotion opportunities is a crucial factor, as people should only be promoted if there is a free position that needs to be filled.

4.2.2 Importance of Leadership for Culture and Promotion

According to all three experts, the manager's recommendation is crucial for an employee to be considered for promotion. The manager's assessment plays a significant role in determining the employee's potential for promotion (Experts 1 - 3). Expert 3 stated that some managers are better at assessing their employees than others. Expert 1 explained that even the management board is involved in the decision-making process regarding promoting employees to management positions. If a manager does not see the potential for promotion in an employee, the employee can approach the HR department independently to express their desire for promotion (Experts 1 & 2). Furthermore, expert 1 stated that effective leadership involves transmitting the corporate culture, and how transparent and fair the employees perceive a promotion system also depends on the manager. Expert 2 mentioned that the management board reinterpreted their values and then they were implemented across the company.

4.2.3 Importance of Culture for the Organization

Experts 1 and 2 explained that culture is becoming increasingly important within their organization. Expert 1 pointed out that maintaining a strong corporate culture can make a company more attractive to potential employees and help retain current ones. Expert 2 emphasized that corporate culture is the link that holds the organization and its people together. He added that culture became more critical after covid, as a lot has changed due to the pandemic, and it was time to redefine themselves as a company and their values. Expert 3

states that culture is important in their company because it helps to achieve the goals and purpose through shared values and passion, but it is only subliminal as it is not sufficiently communicated and conveyed within the company. She adds that by interacting with organizational members you can feel which values they represent and what is important in the company.

4.2.4 Embodiment of Cultural Values

When asked how they ensure that their employees understand and embody the company's cultural values, experts 1 and 2 shared that their companies have implemented several initiatives to communicate these values. Expert 1 explained that their company offers management training courses, which include a module dedicated to communicating the company's values to managers, who can then convey them to their teams. Culture-related topics and values are regularly communicated in company-wide meetings and *jour fixes*, where the results of the "Great Place to Work" survey (an employee survey on workplace culture) and the measures taken to improve the culture are explained. Additionally, the management board sends out emails regularly to emphasize the company's goals and direction and provide a brief update on the progress made toward achieving them. Expert 2 mentioned that their company holds offsite breakout sessions where employees reflect on the company's values individually. Sounding boards are also held, consisting of employees and representatives from various departments to help specify the values. Moreover, an intensive communication process is embarked on at both individual and team levels, where managers have discussions with their teams to ensure that the employees have a clear understanding of the company's values and align with them. This helps employees to clarify how the values influence their work activities. At the individual level, values are incorporated into employee appraisals, such as probation and annual reviews. This evaluates whether employees understand and have internalized the values and analyzes their strengths and weaknesses accordingly. Experts 1 and 2 explained that the embodiment of values is also ensured through the promotion system, where employees are only promoted if they have understood and internalized the values and reflect them in their behavior. In contrast, expert 3 stated that their company has no initiatives to reinforce its values and that these still need to be set up. Only in the recruiting process attention is paid to selecting candidates who align with the mission and culture of the company.

4.2.5 Cultural Change

Expert 3 suggested that every company undergoes some form of change at some point. If companies fail to promote individuals supporting that change, they will lead it away. To promote change, companies should include change factors in the position profiles, so they become an important aspect of promotion. Both companies of experts 1 and 2 underwent a cultural transformation and reevaluated their promotion systems to fit the new culture and strategy. Expert 2 explained that values are not fixed, and the company is willing to adapt them based on feedback and employee experience. Expert 1 emphasized that a manager must understand, support, and implement change. During promotion processes, special attention is given to ensure employees can implement new initiatives in their team.

4.2.6 Impact of Promotion on Culture

Expert 1 notes that promotion is a sensitive issue for employees as it can lead to dissatisfaction, frustration, diminishing efforts, and ultimately, the employee leaving the organization if they feel that their efforts are not being recognized and appreciated. Proactively reaching out to employees who deserve recognition and development opportunities can positively impact satisfaction, promote a positive company culture, and help retain employees. All three experts believe transparency in the promotion process is crucial for maintaining a healthy company culture. Experts 2 and 3 emphasized that transparency is essential for building trust within the company, and a lack of transparency can damage the company culture and lead to employees no longer valuing and supporting each other. To maintain transparency within an organization, position profiles that list the competencies required for the role and the criteria for promotion are crucial. This allows employees to be aware of the necessary steps that need to be taken for promotion, as mentioned by experts 1 and 2. Furthermore, it's important to explain the assessment criteria to employees in a standardized manner to ensure transparency throughout the company (Expert 1 & 2). This helps shape the workplace culture by defining how performance, contribution, and commitment are evaluated (Expert 2). Expert 2 furthermore explains that promotion systems can help employees internalize important values and behaviors as this increases their chances for promotion, which motivates other employees to do the same. This ultimately creates positive added value for the company and helps to achieve its goals. In addition, Expert 3 explained that it's important to ensure that achievements are only promoted in combination with desired and correct behaviors, as rewarding the wrong behaviors can lead to a toxic culture.

To ensure equal opportunities for employees the company publishes vacant job positions within the company, providing an opportunity for those who do not receive sufficient support from their supervisor to develop further. Moreover, a feedback channel is made available to give employees an overview of their performance. This is especially helpful in cases where an employee's self-perception does not align with how their manager perceives them, as explained by expert 2. Expert 3 explains that employees and managers have development meetings twice a year to discuss employees' career aspirations. The managers ensure that the employees are developed accordingly. After six months, another meeting is held to assess the employee's progress. If there is potential for promotion on the part of the employee and in the form of a vacant position, the employee will be promoted. Additionally, fairness of the promotion system is emphasized as employees may compare themselves to others. Feeling suitable for promotion but not receiving it can lead to a drop in productivity and ultimately to people leaving. Expert 2 summarized: "How you turn the wheels determines the culture, how people feel in the company, whether they stay or leave, and which employees you attract".

5. Discussion and Limitations

This chapter compares and interprets the results of expert interviews and statistical tests with the literature. The second part presents the limitations of this work and provides initial approaches for further research.

5.1 Discussion

This dissertation explored the relationship between organizational culture and promotion systems. As there are no prior studies regarding this relationship, the primary goal was to obtain an overview of the connection between these two variables and determine the factors that affect this relationship. For this purpose, contextual factors were identified as potential mediators based on existing research. Additionally, experts were consulted to provide practical insights into the link between organizational culture and promotion systems to gain first practical insights on the topic.

Interpretation of Statistical Results

The literature and expert interviews both underscore the sensitivity of the promotion process, whereas transparency, fairness, and equal opportunities are recurring themes in both. The literature highlights that a sound promotion system can influence how employees perceive

fairness, transparency, and opportunities for growth. If employees perceive a lack of these factors in the promotion system it can lead to resentment, a lack of trust, and motivation to make an effort can decrease, instead of fostering a supportive work environment (Rohman, 2018). The experts support this idea, noting that transparency in the promotion process is crucial for building and maintaining trust within the company and a lack of recognition can lead to dissatisfaction, frustration, diminishing efforts, and ultimately, the employee leaving the organization. They furthermore mentioned that a lack of transparency can damage the company culture and lead to employees no longer valuing and supporting each other. To maintain transparency within an organization, position profiles that list the competencies required for the role and the criteria for promotion are crucial. This allows employees to be aware of the necessary steps that need to be taken for promotion. Proactively recognizing and developing deserving employees is seen as a positive practice to enhance satisfaction, promote a positive company culture, and retain valuable talent. The survey results showed that a fair and transparent promotion system that provides equal opportunities positively impacted the perception of the organizational culture. This aligns with the literature, which suggests that a promotion system that is transparent and fair can contribute to a positive corporate culture (Rohman, 2018).

After analyzing the data regarding the impact of different promotion systems in combination with different cultures on the perception of culture, it was found that the absolute merit-based promotion system, when combined with an adhocracy, clan, and market culture, had a significant positive effect on the perception of culture, as shown in Table 3. The positive impact of the combination of the absolute merit-based promotion system and the adhocracy culture can be explained by the fact that adhocracy cultures emphasize the need for organizations to constantly create new knowledge and be pioneers in innovative products and services. An absolute merit-based promotion system can be seen as a mechanism that encourages and rewards individuals who contribute significantly to innovation and organizational success, positively contributing to the perception of corporate culture. As clan cultures place a strong emphasis on teamwork, collaboration, and creating a harmonious work environment, while an absolute merit-based promotion system may focus on individual performance the positive effect of this combination might seem counterintuitive. If the absolute merit-based system is designed in a way that recognizes and rewards contributions that foster teamwork and collaboration, it may align well with the collaborative nature of a clan culture and therefore reinforce a positive perception of organizational culture.

The positive effect of an absolute merit-based promotion system in combination with a market culture could be explained by the alignment of the promotion system with the competitive, individualistic, and result-oriented values of the market culture. When the promotion system is perceived as recognizing and rewarding high performance in the pursuit of organizational goals and competitiveness, it may contribute to a positive perception of the organizational culture within a market environment.

The negative effect of a relative merit-based promotion system in combination with a hierarchy culture (see *Table 4*) could result from the contrast between the competitive and subjective nature of the relative system and the stability, control, and internal alignment emphasized in the hierarchy culture. Employees may perceive the competitive nature of the relative merit-based system as inconsistent with the hierarchical culture's focus on rules, procedures, and stability potentially leading to dissatisfaction and a negative impact on the overall perception of the organizational culture.

The positive effect of an up-or-out promotion system in combination with a hierarchy culture (see *Table 5*) could result from the clear performance standards and consequences the promotion system sets for not meeting them which align with the hierarchy culture's emphasis on control, rules, and procedures. The up-or-out model's structured approach to evaluating and promoting employees furthermore is in line with the formalization and standardization focus of a hierarchy culture. Employees in a hierarchy culture may view the up-or-out system as a mechanism that reinforces performance, rewards, and retains valued talent, contributing to control, accountability and the standardization valued in the hierarchy culture.

The positive effect of an up-or-out promotion system in combination with a market culture could be explained by the alignment of demand for high performance in the up-or-out system with the result-oriented nature of market cultures. The promotion systems emphasis on achieving goals and winning is in line with the market culture's values. Employees may perceive the up-or-out model as a tool to ensure that rewards are aligned with individual performance, increasing the perception of fairness and thus positively impacting employees perception of the organizational culture.

The positive effect of a seniority-based promotion system in combination with a clan culture (see *Table 6*) could be explained by the alignment with the culture's emphasis on unity, collaboration, the transmission of values, traditional career paths, stability, and continuity. The seniority-based system is in line with Schein's argument that senior employees gain deeper insights into the assumptions and values of the culture as they move within the organization. In a clan culture, where passing on values and norms is crucial, senior employees serving as

mentors can contribute to the maintenance of culture. Employees in a clan culture may view the seniority-based system as supporting their long-term career growth within the organization and appreciate the system for its contribution to stability and continuity, contributing to a positive perception of the organizational culture.

The positive effect of a competency-based promotion system in combination with a hierarchy culture (see *Table 7*) could be explained by the fact that the promotion system defines concrete organizational competencies and behaviors which may align well with the hierarchy culture's emphasis on rules and procedures. This alignment ensures that employees meet specific skill requirements and comply with criteria for promotion. Employees in a hierarchy culture may appreciate the clarity and structure provided by the competency-based system, perceiving it as a fair and objective approach to promotions regarding the values of the culture, potentially contributing to a positive perception of organizational culture.

Impact of Promotion on Culture

According to Schein (2004), promotion systems play an important role in integrating and maintaining organizational culture when combined with socialization tactics. Experts also agree that a company's culture can be reinforced by including values and beliefs in the promotion system and rewarding specific behaviors and outcomes that align with organizational values and goals. Additionally, Phelan and Lin (2001) suggest that different promotion systems communicate distinct cultural messages about a company's values. This aligns with the experts' view that it is important to promote achievements alongside desired and appropriate behaviors, as rewarding the wrong behaviors can result in a toxic culture. According to the expert interviews, integrating cultural values into promotion systems can reinforce important and valued behaviors among employees, as employees internalize valued behaviors to get promoted. This creates positive added value for the company and supports it in achieving its goals. This statement partially aligns with the RBV. It suggests that specific company resources, such as certain corporate cultures based on specific assumptions and values, can lead to sustained competitive advantage by creating unique outcomes for employees, customers, and supplier (Barney, 1986; Deal & Kennedy, 1982; Ouchi, 1981). According to experts, employees tend to compare their performance and rewards with those of their colleagues. If the reward for the same or a similar performance is the same, employees perceive the promotion system as fair. This aligns with the theories of equity (Adams, 1965) and justice (Thibaut & Walker, 1975).

Importance of Leadership

The experts have confirmed the findings of Boeker (1989), Schein (2004), and Schneider (1987) that leadership plays a crucial role in shaping and transmitting organizational culture. They further added that leadership is also significant in the way promotion processes and decisions are perceived by employees. This is because managers are usually responsible for assessing and promoting their subordinates, and it is their job to ensure that the promotion procedures are transparent and fair to all employees.

Cultural Change

The literature suggests that organizations need to engage in cultural change as a necessary step to adapt to changing circumstances, emphasizing that a previously advantageous culture may not remain beneficial in evolving environments (Cameron & Quinn, 2011; Lippman & Rumelt, 1982). The interviews with experts offer concrete examples of companies going through changes and emphasize that values are not set in stone. They propose that companies can adjust their cultures and values based on feedback from employees and their experiences. In addition, incorporating change factors into job descriptions can make them an essential part of the promotion process. These proactive approaches to adapting cultural elements support the idea that organizational cultures must evolve to remain beneficial in changing circumstances. Additionally, based on the interviews conducted, it has become evident that promotion processes can change due to cultural transformation within a company. They furthermore highlighted that it is essential to promote individuals who support cultural change to avoid hindering it, especially in management positions. This is in accordance with Schein's (2004) statement that a manager's responsibility is to facilitate change.

5.2 Limitations

It is important to acknowledge that there are several limitations to this work. Firstly, the sample size of expert interviews is small, which may limit the generalizability of the results. All experts who were interviewed perceived an adhocracy culture in their respective organizations. It would have been advantageous to interview experts from companies with different prevailing cultures to identify potential differences in the promotion processes of companies with varying cultures.

To gain a better understanding of the relationship between promotions systems and organizational culture a transcultural analysis with a larger sample size is required to identify differences in procedures. Overall, increasing the number of participants in both the

interviews and the survey could have led to more representative results, thus increasing the researcher's confidence in the conclusions drawn from the data.

In addition, a large number of participants indicated that they were promoted using a different promotion system than the one considered in the survey. Here, for example, it would have been useful to ask how these respondents' promotion system is defined to gain insights into other promotion practices.

6. Conclusion

In conclusion, the findings of this study highlight the complex relationship between promotion systems and organizational culture. The work provides an overview of organizational culture, emphasizing its role as a shared set of assumptions, beliefs, and values guiding behavior and decision-making and highlights the importance for alignment of organizational culture with strategic goals. The CVF is introduced as a tool for understanding different cultural types, categorizing them into clan, adhocracy, hierarchy, and market culture. The significance of culture for individual and organizational performance is discussed, with an emphasis on gaining sustained competitive advantage through unique and valuable cultural attributes. Furthermore, the importance of promotion systems for organizational culture is highlighted. A sound promotion system, especially when combined with socialization tactics, serves as a mechanism for embedding and sustaining culture. Clear criteria for employee promotions are considered crucial, as promotions serve as incentives, motivating employees to align with organizational rules and norms. Different promotion systems, such as merit-based, seniority-based, up-or-out, and competency-based, can send distinct cultural messages about organizational values. The impact of promotions on employee outcomes, including job satisfaction and turnover intentions, is discussed. A hypothesis is drawn in light of this background suggesting a positive relationship between a fair and transparent promotion system that provides equal opportunities and the perception of organizational culture. The impact of promotion systems on the perception of organizational culture becomes a central research question (RQ1), emphasizing the need to understand how different corporate cultures, combined with different promotion systems, influence the perception of culture. The key findings showed that transparent and fair promotion systems that provide equal opportunities for employees positively influence employees' perception of culture. This impact varies across different promotion systems and organizational cultures.

Both practitioners and scholars can benefit from these insights to enhance organizational effectiveness and contribute to the field of organizational behavior.

On the one hand organizations should strive to establish transparent and fair promotion systems that provide equal opportunities. This can positively impact employee perception, trust, and motivation. Proactively recognizing and developing deserving employees is a positive practice that enhances job satisfaction, promotes a positive company culture, and helps retain valuable talent. When designing promotion systems, organizations should consider the alignment with their prevailing culture as different promotion systems may have varying effects depending on the organizational culture. Furthermore, it is worthwhile to include desired behaviors as a criterion for promotions and reward employees for exhibiting those behaviors. This way, employees will internalize valued behaviors that contribute to the company's success.

On the other hand, scholars may explore transcultural analyses with larger sample sizes to identify if the outcomes are differently pronounced in different contexts and circumstances. A comparative study across different industries, countries or departments within a company could be a next step to offer valuable insights into how promotion systems differ and influence cultural perceptions. This can contribute to a deeper understanding of the contextual factors that shape the relationship between promotions and culture. It would furthermore make sense to conduct a greater number of interviews with experts from companies with varying cultures, as different organizational cultures may have unique promotional practices. A larger sample of interviews can provide a more qualitative and detailed understanding of how promotion systems interact with diverse cultural dynamics. Recommendations and strategies derived from a more diverse set of interviews can be more adaptable and relevant across a broader range of organizational contexts.

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Appendices

Appendix A – Questionnaire Online Survey

Q1 What is your current employment status?

- Full-time employed
- Part-time employed
- Worker and Student
- Student (got excluded)
- Unemployed (got excluded)
- Freelancer (got excluded)

Q2 What is your gender?

- Male
- Female
- Non-binary / third gender
- Prefer not to say

Q3 How old are you?

- Under 18
- 18-24 years old
- 25-34 years old
- 35-44 years old
- 45-54 years old
- 55-64 years old
- 65+ years old

Q4 What is your highest level of education?

- Less than secondary education
- Secondary education
- Professional Training
- Bachelor's degree
- Master's degree
- Doctoral degree

Q5 In which country do you currently reside?

Q6 What was your total household income before taxes during the past 12 months in Euros?

- Less than 25,000 Euros per year
- 25,000 – 49,000 Euros per year
- 50,000 – 99,999 Euros per year
- 100,000 – 199,999 Euros per year
- More than 200,000 Euros per year
- Prefer not to say

Q7 How long have you been working for your current employer?

- Less than 1 year
- 1-2 years
- 3-4 years
- 5 or more years

Q8 How many employees work in your company?

- 1-49
- 50-249
- >249

Q9 In which industry does your company operate? (22 options)

Q10 In which department are you working? (18 options)

Q11 Which of the following best describes your role within the organization?

- Manager/supervisor higher than first level (senior leadership included)
- First level manager/supervisor
- Not a manager/supervisor

Q12

Below you have to evaluate six aspects of organizational culture.

For each aspect you have to distribute 100 points among four statements. Make sure that you do not award more than 100 points in total for the four statements!

Please award the most points to the statement that most applies to your organization and the fewest or no points to the statement that does not apply to your organization.

	0 Points	25 Points	50 Points	75 Points	100 Points
A. The organization is a very personal place. It is like an extended family. People share a lot of themselves.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
B. The organization is a very dynamic and entrepreneurial place. People are willing to take risks and be proactive.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
C. The organization is very results-oriented. A major concern is with getting the job done. People are very competitive and achievement-oriented.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
D. The organization is a very controlled and structured place. Formal procedures generally direct what people do.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	0 Points	25 Points	50 Points	75 Points	100 Points
A. The leadership in the organization is generally considered to exemplify mentoring, facilitating, or nurturing.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
B. The leadership in the organization is generally considered to exemplify entrepreneurship, innovation, or risk taking.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
C. Leadership in the organization is generally considered to be factual, hard, demanding, results-oriented, and focused.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
D. Leadership in the organization is generally considered an example of coordinating, organizing, or smoothly functioning efficiency.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

	0 Points	25 Points	50 Points	75 Points	100 Points
A. The Managementstyle in the organization is characterized by teamwork, consensus and participation.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
B. The Managementstyle in the organization is characterized by individual risk taking, innovation, freedom, and uniqueness.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
C. The Managementstyle in the organization is characterized by hard-driving, competitiveness, high demands, and achievement.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
D. The Managementstyle in the organization is characterized by security of employment, conformity, predictability, and stability in relationships.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

	0 Points	25 Points	50 Points	75 Points	100 Points
A. The glue that holds the organization together is loyalty and mutual trust. Commitment to this organization runs high.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
B. The glue that holds the organization together is commitment to innovation and development. There is an emphasis on being on the forefront of advancement.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
C. The glue that holds the organization together is the emphasis on achievement and goal accomplishment.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
D. The glue that holds the organization together is formal rules and policies. Maintaining a smooth-running organization is important.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

	0 Points	25 Points	50 Points	75 Points	100 Points
A. The organization emphasizes human development. High trust, openness, and participation persist.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
B. The organization emphasizes acquiring new resources and creating new challenges. Trying new things and prospecting for opportunities are valued.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
C. The organization emphasizes competitive actions and achievement. Hitting stretch targets and winning in the marketplace are dominant.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
D. The organization emphasizes permanence and stability. Efficiency, control, and smooth operations are important.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

	0 Points	25 Points	50 Points	75 Points	100 Points
A. The organization defines success on the basis of the development of human resources, teamwork, employee commitment, and concern for people.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
B. The organization defines success on the basis of having the most unique or newest products. It is a product leader and innovator.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
C. The organization defines success on the basis of winning in the marketplace and outpacing the competition.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
D. The organization defines success on the basis of efficiency. Dependable delivery, smooth scheduling, and low-cost production are critical.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q13 Below you will find three statements. Please indicate the extent to which you agree or disagree with each statement. (5-point Likert scale 1-strongly disagree to 5-strongly agree)

- I feel I belong to my company
- I can identify with my company, its goals and values
- I perceive my company's culture as positive

Q14 Please choose the option that best describes the promotion system your employer uses to promote you in your current position

- I get promoted if I have performed above a predetermined performance level. In that way the company is ensuring that only the best-qualified candidates get promoted.
- I get promoted based on my performance compared to my peers. In that way top performers receiving promotions, regardless of whether they have met an expected level of performance
- I get promoted based on my performance within a specific time frame. If I meet the expectations within the set timeframe, I will get a promotion.
- I get promoted when I have gained enough experience in my current position to be able to take on the next higher position
- I get promoted when I meet specific organizational/job-related competencies and associated behaviors in my current role
- My company does not have a specific promotion system for my position
- None of the above

Q15 Below you will find three statements. Please indicate the extent to which you agree or disagree with each statement. (5-point Likert scale 1-strongly disagree to 5-strongly agree)

- The promotion system my employer uses is designed to provide equal development opportunity for all employees
- My company's promotion system is fair
- My company's promotion system is transparent

Appendix B – Expert Interviews

Interview 1

Interviewer: You completed a short survey on your company's organizational culture, and I would like to share your results with you. The result of the survey showed that you perceive a mixture of an adhocracy and a market culture. In an adhocracy culture, the focus is on dynamism, creativity, innovation, progress, and new ideas, as well as uniqueness and growth. This culture encourages taking risks to achieve progress and innovation. There is also a high degree of flexibility in the collaboration between teams and members. Companies with a market culture are extremely focused on competitiveness, on winning in the market, performance, and results. This culture directs its actions and activities towards external competition and is highly results oriented. At times, there may be some internal competition as well. Do you agree with this assessment, or would you like to add or dispute something?

Interviewee: I think the result fits well with our company and its values. Being a team is one of our core values, and supporting each other and building a cohesive team is important across all departments. So, as you mentioned earlier, it aligns perfectly with our values. Although we have been heavily focused on growth in recent years, our strategy has shifted towards efficiency. We are now focusing more on the market, costs, and profitability while still striving to be innovative and create change. This aligns with our corporate value of embracing

change. Overall, your categorization of the idea is spot on. It correctly combines the aspects of growth and innovation that we strive for while still maintaining our focus on efficiency and teamwork.

Interviewer: Are there any other values that hold greater significance to the company that you might haven't mentioned yet and how are these values reflected in your day-to-day work?

Interviewee: We embrace change; that's one point concerning innovation. Although we are a small company, we aspire to grow by distinguishing ourselves in the market. Our culture encourages taking risks and making mistakes; mistakes are allowed to happen to drive progress; we value bravery and team spirit, as I have already mentioned. Additionally, we prioritize customer orientation, understanding that trust is essential to selling our products. By putting ourselves in our customers' shoes, we can better serve them, build their trust, and ultimately increase sales.

Interviewer: How important is organizational culture in your company?

Interviewee: It is becoming increasingly important for us to focus on our corporate culture. As a start-up, we were busy organizing our processes and bringing products to market. But now that we have established ourselves, our focus is on retaining employees and being an attractive employer. This is particularly challenging because it's difficult to find good specialists. We work with Great Place to Work (an international research and consulting institute that helps companies analyze, develop, and make their corporate and workplace culture visible); this partnership gives us information on how well we are positioned on the market and offers a comparison in terms of corporate culture. We received an award confirming we are a great place to work, showing us that prioritizing our corporate culture pays off. This not only makes a good impression on the outside but also helps retain our current employees. We value the feedback we receive and are continuously trying to improve our communication and embody our corporate culture more professionally.

Interviewer: Is organizational culture playing an increasingly important and stronger role in your company?

Interviewee: Yes, definitely.

Interviewer: How do you ensure that employees understand and embody the corporate culture?

Interviewee: We provide management training courses to communicate and demonstrate our values. We make it clear which leadership competencies are important to us and present our competence models and requirements in relation to innovation topics. So, training plays a crucial role here. Secondly, we conduct regular meetings such as jour fixe and all-hands

meetings throughout the company. During these meetings, we discuss topics related to the company culture. For instance, we present our Great Place to Work survey results and explain our next steps to improve. Thirdly, we send out regular emails from the Management Board to the employees. These emails emphasize the goals and direction and provide a brief update on our progress toward achieving these goals. Overall, these mechanisms are essential to maintain a positive company culture and achieve our objectives.

Interviewer: Can you think of any other programs or initiatives you use to promote your corporate culture?

Interviewee: One key factor in successful leadership is the passing on of the company culture. We have implemented a management program aimed at identifying potential talent and enabling them to pursue a career as a manager. This program includes a selection process to ensure that only those employees with the necessary skills and competencies are sent to a management seminar for training. This targeted approach ensures that only suitable candidates are promoted to management positions. Additionally, managers who are already in their roles receive regular training and have access to a coach to ensure that everyone speaks the same language and conveys the company's values to their teams.

Interviewer: Do these training programs emphasize company-specific skills or more general ones that managers should have, also with a focus on culture?

Interviewee: We always try to create a good mix. We concentrate on developing leadership competencies while also including training courses and individual blocks in our seminars that cover topics related to company culture. For instance, we organize fireside evenings where we discuss our values, and we conduct training courses to teach employees how appraisals work and the reasoning behind them to ensure standardization. During appraisal interviews, it is crucial to explain the assessment scale and ensure that it is understood in a standardized manner for evaluations. This helps to maintain transparency throughout the company.

Interviewer: In this scale, does it also play a role to what extent the employee represents or embodies the values of the company?

Interviewee: Exactly, we have two different types of employee appraisals. One of them focuses solely on the employee's competencies, such as their communication skills and other similar abilities. The other type of appraisal is more focused on soft skills and values, which evaluate how well the employee embodies the company's values. This is done by asking the employee to name and evaluate the four values that were mentioned earlier. The questions that are asked in this appraisal include things like "How customer-oriented are you?", "how

willing are you to change?", "How courageous are you?", and "How much of a team player are you?".

Interviewer: You mentioned that attention is paid to the extent to which managers embody your values and are able to pass them on. Is this generally the case for promotions, i.e., also for employees who are not, or are not to become, managers?

Interviewee: We are currently planning to organize ourselves better in this respect in the future. We are currently working on that. So far, our focus has been primarily on managers, but we are slowly starting to focus more on specialist careers as well. Our goal is to promote employees who possess both the necessary professional skills and present our company values. We already have management interviews and will soon introduce selection processes for specialist careers as well. We are still in the process of finalizing the position profiles, which will outline the required skills for each role and the criteria for promotion.

Interviewer: You mentioned that employees must possess certain competencies required for a particular position. Is this system implemented across all departments and positions within the company?

Interviewee: Usually, those who wish to be promoted or the manager of the person who is to be promoted will approach us, the HR department, and request the promotion. We will then evaluate the request and discuss it with the Management Board. The main criterion for promotion consideration is the employee's competencies, which are assessed using the competence profile questionnaire. In the IT department, there is a separate competency model that evaluates specialist expertise in programming languages and other areas in a more structured way. However, in general, employees must take the initiative to be promoted or to change positions, and their competencies and cultural fit for the role will be taken into consideration.

For the specialist career path, employees must be nominated and go through a competency comparison process. They will also undergo an appraisal interview where their motivation and cultural fit will be assessed, as these employees have a higher level of responsibility in making business decisions. Their values must also align with the company's values. In Sales, employees will receive a higher commission if they achieve or exceed their quantitative targets, but they will not receive a new title or promotion as a result.

Interviewer: You mentioned earlier that there has also been a change in your culture because the strategy has changed. Have your promotion systems also changed as a result?

Interviewee: To ensure efficiency, we have reevaluated our promotion process. We now take a closer look at who gets promoted. During the growth phase, promoting someone to a higher

position was easier because we had enough capacity to fill this now vacant position again. However, as we are now more focused on efficiency, we have fewer new hires, and that makes the process more difficult. We are now more selective in promoting employees to management positions. We only want managers to become managers if they are really needed and if it really makes sense in terms of the number of employees to hire another manager for a team. This approach helps us to create a balance between having enough managers to lead teams effectively and having enough operational employees to ensure the smooth running of the business.

Interviewer: Okay. Do the promotion processes and systems used have an influence on the corporate culture and on how the employee perceives the corporate culture?

Interviewee: Definitely. I believe that transparency is particularly important, especially in these uncertain times, both politically and professionally. Therefore, it is crucial that employees are aware of their positions and the necessary steps that need to be taken to earn a promotion. The employee survey has revealed that professional growth is viewed negatively by employees, and they don't see any transparent opportunities for change. Thus, it is critical that we establish clear and transparent career paths. Although we are still in the testing phase, I believe that this is the right time to begin, and it will be well-received by our employees.

Interviewer: You mentioned that employees view opportunities for further development or change as negative or difficult. How do you think this perception affects the company culture?

Interviewee: It is a sensitive issue for employees. If an employee has been doing a great job and has been with the company for a long time, and yet no one recognizes their hard work, it can feel like a lack of appreciation. Moreover, if an employee has to proactively approach the HR department or their supervisor to ask for a better title or a promotion, it doesn't reflect well on the company. Instead, as employers or superiors, it's better to actively approach people who deserve recognition and opportunities. This approach can have a positive impact on employee satisfaction and corporate culture and can make it easier to retain employees. This is especially important since many employees leave because they don't feel seen or valued. As an HR department, we regularly ask managers to rate their employees using a matrix that factors in aspects such as professional skills and motivation. This allows us to identify high-performing employees who deserve recognition and promotion. By proactively approaching these employees, we can show them that their hard work is valued and appreciated. This approach can help foster a positive corporate culture and transparent communication, ultimately contributing to higher employee satisfaction and retention rates.

Interviewer: You said that this can impact satisfaction or motivation, for example. Does this lead to the strategy associated with the organizational culture, in your case, innovation, efficiency, and collaboration, suffering as a result?

Interviewee: Yes, I believe that dissatisfaction as an employee often leads to frustration. There comes a point when you may feel that your efforts are not appreciated, and it becomes difficult to continue putting in the same energy level as before.

Interviewer: I agree. The next question is, what measures are taken to ensure that the promotion systems align with cultural values?

Interviewee: Our company's control mechanisms are not very strong. We conduct an annual employee survey that includes a question about the fairness and clarity of our promotion processes. Although we don't receive poor ratings in this area, it's challenging to identify specific shortcomings based on a single question. However, our promotion practices are average when compared to industry standards.

Interviewer: You mentioned earlier, that your organization underwent a cultural shift. During that time, did you consider promoting people who could support that culture change by bringing a different perspective to their team?

Interviewee: Yes, during the promotion interview, we placed greater emphasis on the employee's ability to lead their team in our back-to-office initiative and cost-cutting measures. As a manager, it's important to understand and support the company's goals and effectively communicate them to your team. It's also crucial to be able to implement new guidelines and policies in a way that aligns with the company's vision and values.

Interviewer: Okay. Do you think that certain organizational cultures use specific promotion systems and procedures?

Interviewee: Yes, I think so. There is a lot of emotion involved in our culture. So, I think that other companies with other cultures are more numbers-driven, and the promotion system is different.

Interviewer: Okay. The next question is how do you identify and promote people with potential for promotion in the company?

Interviewee: When an employee meets the required competencies for their role and fits the company culture, they are eligible for further training to become a manager. However, not every colleague who wants to develop is suitable for a leadership position. We had a case with a long-time employee who was valued but lacked leadership skills. He saw himself very much in the role and was also encouraged by the other employees to apply for a management position. This transparency was then created, but he was not chosen for a management

position after being given a chance to prove himself. This resulted in us losing the employee, so it's important to involve the manager in selection procedures and evaluate whether the employee is a good fit. If not, it's better to have a dialogue beforehand to avoid frustration and loss of face for the employee.

Interviewer: Do you have initiatives or systems in place to engage employees in the promotion process and ensure that their perspectives and experiences are considered?

Interviewee: Currently, we do not include employees who will work under the new manager in the interview or selection process. However, if an external candidate applies for the management position, we involve the team in the process. The reason behind this approach is that if an internal employee applies for a higher role, we, as HR managers or board members, are already familiar with their work and can assess their skills and how they interact with their colleagues. However, there is always a risk of changing the team's mood when a colleague becomes a manager, and it is challenging to predict how well they will perform as a manager. That's why it would be interesting to involve the employees in the selection process and take feedback from all sides, using something like 360-degree feedback, to assess the candidate's suitability for the role.

Interviewer: Do you take feedback from employees after their promotion in order to assess how they feel about their new position and the promotion process?

Interviewee: Well, we don't have a fixed mechanism, but we have a meeting with the managers every two weeks where we clarify open questions, offer support, and discuss their progress in their new roles.

Interviewer: Do you think, also based on the results from your employee surveys, that the promotion system across different departments and positions is viewed as equally transparent, fair by employees? Also, does the system provide equal opportunities for everyone?

Interviewee: The feedback for employees differs across departments, as it largely depends on the manager. To address this issue, managers should approach HR departments and recommend specific employees for promotions. Additionally, small teams tend to have fewer opportunities for advancement as there must always be someone who is operationally active. In customer service, for example, we require a certain number of operational employees, making it difficult to find specialists if we promote someone internally. However, agile teams make it easier to facilitate transfers to other departments and promote people in this way, as the interfaces are much larger, and employees often work across the company anyway. Unfortunately, in departments like customer service, it is challenging to lose operational employees, so promotions are less frequent.

Interviewer: In the context of equal opportunities, you mentioned that it may not be feasible to offer the same opportunities across all departments or positions due to the requirement of employees in the operational area. Is it transparent for the employees to understand their development opportunities, or do they lack clarity?

Interviewee: Yes, I think that the employees are aware of it, but it is something that is unspoken. We don't openly communicate to employees that they don't actually have any opportunities for further development in certain departments. These are the departments that usually face very high staff turnover, as the employees who aspire to progress are more likely to leave.

Interviewer: Is there transparency to the extent that employees know what they have to do or what skills they need in order to be promoted?

Interviewee: Not at the moment, as we are still in the early stages and have not yet defined the position profiles. We have defined two paths so far, but they must be described for each department as they may vary. For example, the position of a chief in the legal department is very different from that in IT. We must also be careful with job titles to ensure a valid market comparison.

Interview 2

Interviewer: You responded to a short survey on corporate culture, i.e., corporate culture in your company, the result showed that you perceive an adhocracy culture in your company. This dynamic culture values creativity, innovation, progress, new ideas, challenges, uniqueness, and growth. Such cultures encourage risk-taking to achieve improvement and innovation. Such cultures encourage risk-taking to achieve improvement and innovation. In departments where projects and innovations are promoted, different teams often cooperate. However, this is not always the case, but it is part of the culture. Generally, there is a high level of flexibility and cooperation between teams. Do you agree with this result, or would you like to add something?

Interviewee: This is how I would describe our company in general. Although the company has been around for twelve years, it is still in a very strong innovation context because we continuously expand our product range. Our Research & Development Department is a significant part of our team, comprising half our workforce. Ultimately, we are strongly associated with innovation, further development, collaboration, and risk-taking.

Interviewer: Which values are most important to your company, and how are these values manifested in your day-to-day work?

Interviewee: Collaboration and helping are highly valued in this company. However, it must be said that the company needs to improve its formal collaboration and end-to-end thinking for products. Although employees are eager to help and work together, there is still room for growth. The company is currently undergoing a transformation to enhance its collaboration efforts. Besides collaboration, innovation and responsibility are also essential, as the company is committed to sustainability. Candidates who apply to the company and current employees share a strong connection to the subject of sustainability. These are the three core values that guide the company's operations.

Interviewer: Okay, what role does organizational culture and these values play in the company?

Interviewee: I would describe it as cohesion. It's the link that holds the organization and the people together. One aspect that has positively emerged as a secondary effect is the strong diversity that the team has. The company has over 40 nationalities, and the proportion of German nationals is 45%. However, diversity is not present at all levels of the company. This is particularly evident among high-level managers, where the majority are men, and the age group is relatively equal. That is the most significant systemic challenge for the company, also in the area of promotion.

Interviewer: Do you have special initiatives or programs that help promote the corporate culture?

Interviewee: We are currently in the process of implementing new initiatives that are aligned with our company values. The new management team has reinterpreted our values, and we are implementing them across the company. We have held sizeable offsite breakout sessions where employees were given the opportunity to reflect on these values individually. We involved sounding boards consisting of employees and representatives from various departments to help specify the values. Now, we are embarking on an intensive communication process at both individual and team levels. Managers will have discussions with their teams to ensure that the employees have a clear understanding of the company's values and align with them. This will help the employees to clarify how the values influence their work activities. At the individual level, the values will be incorporated into employee appraisals, such as probation reviews and annual appraisals. Here we assess strengths and identify areas that need improvement. We are now placing a greater emphasis on this aspect by integrating it more firmly into our existing formats and surveys and ensuring they are up-to-date. We have an excellent feedback system in place, which includes customized on-demand surveys that receive a high participation rate. Our participation rate is typically

between 70 and 80 percent because we excel in communicating and implementing feedback effectively. As part of our annual planning, we will define special initiatives for the coming year to focus on specific values that need to be prioritized for individual managers and employees. We will start by encouraging everyone to reflect on the values at an individual level during the annual appraisals, and we will support team-level dialogue through our management team. Our main focus at the moment is to familiarize people with the values and launch the first initiatives that will help employees take action for themselves personally. We are still in the idea phase, but we are considering regular get-togethers with the management team to reflect on these matters. It's important to note that the values are not set in stone, and we are open to revising them based on feedback and experience. This will be a process that will become clearer next year.

Interviewer: Okay, am I right in perceiving that organizational culture is gaining importance for you and becoming a more important topic than recently?

Interviewee: Yes. There were signs of this last year with the return after COVID, and everything is reverting to the old ways. However, what was once considered the right way to do things is no longer applicable. This has led us to redefine ourselves as a company and organization and ask ourselves who we truly are. With the formation of the new management team, we have merged these two coincidences.

Interviewer: Does the corporate culture play a role in decisions about promotions? And if so, what role?

Interviewee: Promotion is typically based on what roles you have defined within a company. When you redefine roles due to growth or the development of business areas, the question is always: do we already have this expertise in the company and how we can make better use of it before we obtain in external expertise, which will always be necessary at one point or another. Previously, there was no process for this, but now there is a formalized process in place. If a manager wants to promote someone, they now must describe the new responsibilities and how they differ from the existing ones. This could be due to job enrichment, where the position gains more weight and impact, or due to a job change, when an employee expresses the desire to develop in a certain direction and lacks certain skills. In the past, this was driven solely by the initiative of the manager. However, through annual appraisal processes and open dialogue about available positions in the company, there is now a new perception of the importance of define career paths, to provide a clear overview of the various positions and titles within the organization, as well as their respective values. To achieve this, the company is in the process of establishing a role architecture, defining the

roles and levels within the company, and categorizing existing roles with the managers' input, taking into account employees' skills. A role map will be created for each department, allowing employees to understand their current position and the potential next steps in their career. The company has 200 employees, so there will likely be 6, 7, or 8 levels, instead of 14, and each department will have its own role map.

Interviewer: And to what extent would you say that the corporate culture also played a role in creating new processes?.

Interviewee: It is becoming increasingly evident that employees aren't promoted because they've been doing a job for a particularly long time. Instead, promotions are based on specific criteria, for example, the impact an employee made within their current role. These criteria are being formalized and becoming more specific. This is an important change, as it ensures that employee promotion is based on their contribution, commitment, and dedication rather than just their tenure. Having a clear promotion system in place also helps shape the workplace's culture by defining how performance, contribution, and commitment are evaluated.

Interviewer: Attention is given to the employee's potential contribution to company values through their expertise or performance?

Interviewee: Correct and how an employee can contribute to the company's success. This contributes positively to the company culture, as people who exhibit certain behaviors that align with the company's values are more likely to perform well and receive positive performance evaluations. Additionally, showcasing these behaviors can increase an employee's chances for promotion.

Interviewer: Which promotion systems do you use for different departments and functions?

Interviewee: We use Conferry's model to evaluate employee positions based on three aspects - expertise, responsibility, and impact. Expertise is a combination of the knowledge acquired and how it's been acquired over time. Time alone is an inaccurate measure since some build more expertise in three years than others do in seven. Therefore, we consider the type of expertise someone has built up and how they acquired it. Another indicator for promotion is when someone has gained more expertise and knowledge than another colleague who has been in a similar position for a longer period of time. Responsibility refers to the operational, tactical, and strategic decisions the employee makes and how much personnel and budget responsibility they have. Impact measures the employee's influence on the company, processes, products, features, and systems. We categorize roles and their values based on these three categories, and our decision for or against a promotion is based on this evaluation.

We assess how the employee carries out their work and makes use of their skills and what impact they have on the company and its employees. The decision for or against a promotion is based on this. If a promotion system evaluates quantitative success only, the employee who has sold the most may get a higher salary or promotion. However, it may be that the way in which they have achieved this goal is not the right and desired one. That's why we need to consider all three aspects to harmonize our evaluation process.

Interviewer: To what extent is the corporate culture helping to shape this promotion system you described?

Interviewee: Hm, I'm referencing other companies I've worked in. I've been in companies where expertise played an incredibly important role in promotions. And, of course, that plays a role in every company, including ours. But these values that I mentioned, diversity, responsibility, and innovation, are the elements that describe our culture and ultimately also influence systems, structures, and the promotion system.

Interviewer: And then also flow into the evaluation of the employee?

Interviewee: Exactly; we evaluate employees' expertise, responsibility, and impact. Employees themselves can shape the impact. While some people want to create and develop new products, others are more inclined towards administration. Of course, the existing products have different phases of product cycles and degrees of maturity. Still, it's not the case that we have a finished product range that just needs to be optimized. Instead, it's a continuous process of developing and optimizing new products.

Interviewer: Do you think your promotion system and how you promote employees impact their perception of the culture?

Interviewee: When an employee has been in a particular position for an extended period and desires a promotion, their performance is evaluated more strictly based on how they have developed in their role, their impact, expertise, and skills, and how well they have aligned with the company's values. Seniority doesn't play a role here. This approach ensures that the company promotes employees who have fulfilled the values and criteria, motivating other workers to internalize these values and competencies for their development. As a result, it creates positive added value for the company and helps to achieve its goals. The employees now implement the values and expectations independently, even when the manager is not actively involved. So, the employee automatically implements the culture, values, and associated activities or behaviors to increase their chances of promotion. But in general, how you turn the wheels determines the culture, how people feel in the company, whether they stay or leave, and which employees you attract.

Interviewer: What measures are taken to ensure that the promotion systems align with these cultural values?

Interviewee: We conduct an ongoing survey with Office-Life that includes a set of standardized questions related to recognition and reward. Employees are given the opportunity to provide feedback on various topics, such as the level of recognition and appreciation for their performance, the quality and quantity of feedback they receive, the fairness of rewards, and how low performance is addressed. We evaluate this feedback on a regular basis, and the survey includes a comment function, which helps us collect qualitative data. This eliminates the need for direct interviews and allows us to collect data more efficiently using this online channel.

Interviewer: You spoke about a transformation in terms of culture earlier in the interview. When you promote someone now, do you ensure that this employee also supports this transformation by bringing different or new perspectives into a team?

Interviewee: Our company values shape certain ideals, and we measure how well our employees embody these ideals. This includes evaluating how they implement their expertise based on their role and whether they exhibit the expected behavior. Essentially, we assess whether each employee is positively contributing to the company and making an impact through their actions. This evaluation serves as a control mechanism. Positive effects are observed when employees act according to the desired behaviors. On the other hand, undesirable behaviors occur when an employee completes tasks without the necessary collaboration and involvement of their colleagues.

Interviewer: Do certain organizational cultures use specific promotion systems?

Interviewee: At one of my previous workplaces, the company culture was defined as "we acknowledge efforts, we pay for results". This clarified that the employer was more concerned about achieving the set goals rather than how they were achieved. Ultimately, it's the outcome that counts, which led to a promotion culture that focused primarily on results. And that leads to a corresponding promotion culture. It doesn't define 90 or 99 % of the promotion culture, but most of it 70 or 80 %.

Interviewer: Would you describe your promotion system as transparent?

Interviewee: Not yet. We are currently in the process of setting up a system to communicate promotions transparently in compliance with our company's values. Transparency is crucial in building trust and shaping the dialogue process. It is important for employees to know who was promoted, why, and how. Job titles play a significant role in promoting transparency and defining roles within the company's promotion culture. However, startups often face

challenges with this as they tend to define functions with high titles, which makes it challenging to promote employees as they may feel that they cannot be promoted any further because they can't go any higher in terms of their titles. Therefore, it's essential to have a clear and concise job title system that helps employees understand the hierarchy and their roles within the organization.

Interviewer: Does the survey that you regularly carry out show whether employees perceive the promotion processes and systems as fair?

Interviewee: This also needs to be clarified. That was also one of the reasons why we decided that we needed a system and had to offer transparency. And that includes precisely asking these critical questions in the surveys. This is one of the ways in which we would also determine the success of our expanded system.

Interviewer: Do your current systems support employees in achieving their career goals? You mentioned that a manager will recommend an employee for a promotion if they see potential. However, what happens if another employee wants to be promoted to the same position as the recommended employee, but the manager does not see their potential? Are there any measures in place to support this employee in having an equal chance to achieve the promotion?

Interviewee: In this case, the employee has the opportunity to proactively reach out to the HR department to express their interest in further development. One effective strategy for providing support is to promote job openings internally and make them available to all employees. This approach allows individuals who may not be receiving the necessary support or correct assessment from their managers to apply for this opportunity. Additionally, we offer a feedback channel where employees can receive an overview of their performance. This is especially helpful in cases where an employee's self-perception does not align with how their manager perceives them.

Interviewer: Do you believe all employees have equal chances of promotion? For example, if two employees with similar competencies apply for the same position.

Interviewee: Becoming a manager depends on various factors, including working hours. If one only works 20 hours a week, it may be difficult to climb the managerial ladder. We strive to minimize criteria that impact equal opportunities, but some factors, such as expertise and work volume, ultimately influence equal treatment.

Interview 3

Interviewer: You answered a questionnaire about the corporate culture that you perceive in your company, the results showed that you perceive a so-called adhocracy culture. This is a

very dynamic culture that values creativity, innovation, progress, new ideas, challenges, uniqueness, and growth. Such cultures also value willingness to take risks in order to achieve this progress and innovation. Different departments collaborate on projects and innovations, resulting in a high degree of flexibility and cooperation. Do you agree with the result, or would you like to add something?

Interviewee: Everything fits exactly as described. It is very innovative and very free and not in old patterns.

Interviewer: Which values are most important to your company, and how do these values manifest in your daily work?

Interviewee: Uniqueness is a big topic. Our willingness to work towards a purpose is exceptionally high because we are involved in climate protection projects worldwide. This naturally gives us a sense of purpose and dynamism since it is also very important to our employees personally. Our overall aim is to improve people's lives worldwide, and this purpose is very present, with many people working towards achieving it. And in the course of this, there is also respect for our environment, but also for our customers and for each other. It is crucial to solve challenges and tasks pragmatically, not to overthink, to keep things simple, maintain innovation, and drive it forward. Collaboration and how we deal with people are also very important aspects.

Interviewer: And how do these values manifest themselves in your day-to-day work?

Interviewee: Our way of working is highly collaborative and supportive, with a corporate culture that appreciates the way we treat one another. This culture is linked to our shared value of nature, which is critical to us. Our employees understand the importance of this value, which is reflected in how we interact with others and work together. While this may not be consistent across the board, it's noticeable that valuing each individual is an essential aspect of our culture.

Interviewer: Okay, to what extent would you say uniqueness plays a role?

Interviewee: We have a diverse team consisting of ten different nationalities. This diversity is important to the company and its employees, as it exposes them to different cultures and experiences. It is also aligned with our purpose of making a positive impact on society. While we aim to earn money with our product, it is equally important that we have a sustainable impact on the environment. Our employees share this common goal and are passionate about contributing to it. They work for us not only to earn money but also to combine their job with their passion.

Interviewer: What role does organizational culture play in your company?

Interviewee: Culture is very important in general, because these shared values and this passion helps us achieving our goal and purpose, but only subliminally because we don't communicate and convey the culture enough. But still, when you interact with people inside the company you can feel the values they represent and can tell what is important.

Interviewer: How do you ensure that employees understand and embody your corporate culture and the associated values? Do you have any specific initiatives?

Interviewee: I must admit that we are not very proficient in that area yet. However, we excel in collaborating effectively with each other. Currently, we do not have any significant projects in place to reinforce our values. There is still a lot of work to be done, especially by the People team, which includes me. We ensure that we choose the right individuals who align with our mission and culture during the recruitment process.

Interviewer: Does the corporate culture play a role in the decision to promote people? You just said that it plays a role in recruiting, that you make sure that people represent and share your values. Is that also the case with decisions on promotions?

Interviewee: I'll be honest, we don't have set specific criteria. It's mostly based on who has excelled and who has delivered good results. Whether someone represents or embodies the values or shows appropriate behavior is not something that consciously but rather unconsciously flows into the decision.

Interviewer: Okay, and you just said that employees are promoted based on a specific performance. Are these quantitative results?

Interviewee: No, it's not only about quantitative results. Our assessment is a combination of quantitative and qualitative factors. We consider factors such as customer satisfaction, the number of customers a person looks after, their turnover, their professional development, and their potential to take on a leadership role in the future. However, our evaluation process has not been systematic so far. We need to change this in the future.

Interviewer: So, you do not have a specific promotion system, but instead make decisions based on the situation and the individual.

Interviewee: Exactly. Some supervisors are better at evaluating their employees than others, but there is no systematic way of doing so.

Interviewer: Okay, when it comes to promotions, do you make sure that employees embody your values? For example, do you make sure that the employees drive innovation?

Interviewee: This is underlyingly present, also in the assessment. But the company where I work is old-school. Few objective criteria are used to make decisions; it very much depends

on the manager and how well they can assess and evaluate their employees. And there's still a lot to do.

Interviewer: I see. Is the way you currently promote perceived as transparent and fair by employees?

Interviewee: It is not perceived as fair and transparent.

Interviewer: Okay, and would you say that employees feel that there is no equality in terms of promotions?

Interviewee: Yes, definitely.

Interviewer: Do you think that not having transparency, fairness, and equality could affect how your employees perceive the company culture?

Interviewee: Yes, it definitely has an impact too. Whenever we discuss this topic, I always question if there is a truly objective and fair promotion system. Although there may be limits, having no system at all can make it seem like a black box to employees, leading them to wonder what the decision is based on. This lack of transparency can harm the organization's culture and trust in the organization. So, we need to address this problem.

Interviewer: Okay, in what way?

Interviewee: That people don't understand it, can't comprehend it, and that we humans tend to compare ourselves with others. When employees compare themselves to each other and feel that they are just as qualified as someone who was promoted but were not promoted themselves, their motivation drops, and trust is lost. This concept of fairness is important to all of us, and when it's not present in the workplace, it can lead to a decrease in productivity and ultimately cause people to leave.

Interviewer: You mentioned that you appreciate each other and are very supportive. Do you think that this lack of fairness in promotions can cause employees to feel less appreciative and supportive towards their colleagues, especially when they compare themselves with each other?

Interviewee: Yes, that eventually declines too. So, what I've noticed in particular is the desire for fairness and transparency. And I think it's difficult to develop a system that makes it clear to employees why another person was promoted.

Interviewer: If you implement a promotion system in the future, would you consider incorporating these values that are important for your company? For instance, would you ensure that employees who are promoted also embody these factors?

Interviewee: I'm convinced that it's easier to comprehend the reasons behind someone's promotion if promotions are based on their work ethic rather than their accomplishments. If

achievements can be quantified with numbers, then the process is transparent. However, anything beyond that can be difficult for other employees to grasp. If a colleague displays the right behavior, then it's easier to comprehend why they were promoted.

Interviewer: As you don't have a specific promotion system, can you tell from previous experience whether companies with a certain culture use specific promotion systems?

Interviewee: I definitely believe that the culture shapes the promotion system. I have worked in companies where it was very important that the values were carried forward, and therefore, behavior that embodied the values of the company was rewarded. On the other hand, if a company wants to influence its culture through its system, it is crucial for the system to be transparent. This way, employees would be aware of the criteria for promotion and can work towards it.

Interviewer: Okay. Would you say that when it comes to promotions in your company, attention is paid to cultural change? If an active change is required, is there a focus on promoting employees who can drive the change?

Interviewee: I haven't noticed that in our company yet, but it is certainly an important aspect. If a company is undergoing change, and every company is at some point, then it is essential to promote people who support this change and go along with it. Failing to do so will lead this change away. This also has an impact on the promotion process. Some companies have addressed this issue by incorporating this criterion in the skills profile for specific positions, and thus, it becomes a significant aspect during promotions.

Interviewer: How do you identify and promote people with potential for promotion in your company?

Interviewee: For us, this works through the manager. When a manager wants to promote someone from their team, they discuss it with us, the HR department. Of course, the employee is then prepared for the new position, but we don't have any special programs or procedures in place.

Interviewer: Okay. What aspects play a role in promotion decisions in your company?

Interviewee: It is essential to demonstrate sustainable performance in any case. If an employee fails to demonstrate their ability to work efficiently over a more extended period, drive projects forward, and align with our values and purpose, they will not be promoted. Even if a manager thinks otherwise, short-term performance doesn't count.

Interviewer: How are employees involved in the promotion process to ensure that their perspectives and experiences are taken into account? For example, are employees asked after their promotion how they felt about the transition to the new position, how they are doing in

the new position, and whether they lacked anything in the promotion process?

Interviewee: We do not have a 360-degree feedback model, even for employees who have been promoted, to get feedback on the promotion procedure, unfortunately.

Interviewer: Does how you currently promote employees help them achieve their career goals? Are employees asked at any particular point what their goal is and what they want to achieve in the company?

Interviewee: Twice a year, employees and managers engage in development talks to discuss this topic.

Interviewer: Okay, and they ensure that employees meet those goals and develop accordingly?

Interviewee: Exactly; the managers ensure that the employees are developed accordingly. After six months, a meeting is held to assess the employee's progress. If there is potential for promotion, it is considered. However, not everyone can be promoted to the top. The promotion has to be appropriate, and the opportunity has to exist.

Interviewer: Okay, so you also consider the potential for an employee to grow within the company by exploring opportunities in other departments or positions at the same level?

Interviewee: Exactly, that's right.

Interviewer: That was the last question. Do you have any final comments or contributions regarding the subject?

Interviewee: In the past, promotions were solely based on employees' output and achievements. Nowadays, it is equally important to consider how an employee has accomplished their goals to maintain this cultural aspect. That's why it is crucial to identify specific behaviors that are valued in a company because they drive the company's goals forward. These behaviors should be defined, and employees should be promoted based on them, in addition to their achievements. Companies can become toxic when employees who achieve their goals are not exhibiting the right behaviors. Such behavior should not be rewarded. Instead, a combination of both achievements and behaviors must be rewarded. If an employee displays the right behaviors but fails to meet their targets, it can be an indicator that they are misplaced. This can be an advantage for both the company and the employee to ensure that the employee is deployed correctly. It is important to support your company's culture with tools like this and to be aware of which behaviors are driving the company's goals.

Appendix C – Interview Codes

Main Category	Sub-Category	Content interview 1	Content Interview 2	Content Interview 3
Culture Type & Promotion System	Culture & Values	<ul style="list-style-type: none"> • adhocracy & market culture • growth, innovation & change • efficiency, market, costs and profitability • teamwork & support • taking risks, making mistakes & bravery 	<ul style="list-style-type: none"> • adhocracy culture • innovation, development • collaboration & risk-taking • responsibility & sustainability • diversity 	<ul style="list-style-type: none"> • adhocracy culture • uniqueness, shared purpose & passion, sustainability • respect for nature and humans • collaboration, support & diversity
	Promotion System & Criteria	<ul style="list-style-type: none"> • position profiles outlining required skills for roles and promotions • appraisal interview to check motivation and cultural fit • possessing required competencies and cultural fit make employees eligible for promotion 	<ul style="list-style-type: none"> • role architecture defines roles and levels • employee evaluation based on expertise, responsibility & impact • how an employee achieved outcomes is important 	<ul style="list-style-type: none"> • assessment based on qualitative and quantitative factors • sustainable performance • how an employee achieved outcomes is important
Importance of Leadership	For Promotion	<ul style="list-style-type: none"> • managers rate employees' promotion potential • opinion of management board is important for promotion • perception of promotion process depends on manager 	<ul style="list-style-type: none"> • managers rate employees' promotion potential 	<ul style="list-style-type: none"> • managers rate employees' promotion potential • some managers can evaluate employees better than others
	For Culture	<ul style="list-style-type: none"> • successful leadership is passing on of values 	<ul style="list-style-type: none"> • values are interpreted by management board 	
Importance of Culture		<ul style="list-style-type: none"> • increasing importance 	<ul style="list-style-type: none"> • increasing importance 	<ul style="list-style-type: none"> • high importance for achieving goals and purpose

for the Organization		<ul style="list-style-type: none"> • Important for employee retention and attraction 	<ul style="list-style-type: none"> • link that holds people and organization together 	<ul style="list-style-type: none"> • subliminal
Cultural Change	Impact on Promotion	<ul style="list-style-type: none"> • shift in strategy led to shift in culture • reevaluation of promotion process • focus on efficiency makes promotion harder 	<ul style="list-style-type: none"> • cultural change after pandemic • Promotion not based on seniority anymore but rather on impact, contribution, commitment and dedication 	<ul style="list-style-type: none"> • cultural change must be considered in promotion otherwise it will be led away • incorporating change criteria into position criteria can help
	Importance of Leadership	<ul style="list-style-type: none"> • Leaders must implement new guidelines and policies on alignment with values • greater emphasis is placed on the employee's ability to implement change during promotion process 		
Embodiment of Values	Initiatives	<ul style="list-style-type: none"> • management training course to communicate and demonstrate values • corporate culture is discussed in company-wide meetings • conduct survey on workplace culture • regular newsletter from management board on goals and progress 	<ul style="list-style-type: none"> • offsite breakout sessions where employees can reflect on values • communication process of values on individual and team level • incorporation of values into employee probation reviews and annual appraisals • strengths and weaknesses regarding understanding of values get assessed 	<ul style="list-style-type: none"> • no concrete initiatives to communicate and convey values • people-culture and mission fit is evaluated during recruiting process
	Through Leadership	<ul style="list-style-type: none"> • regular management trainings to convey and maintain company values 	<ul style="list-style-type: none"> • managers guide value communication and implementation process in their teams 	

	Through Promotion Systems	<ul style="list-style-type: none"> • understanding of culture and values is being checked when employees are to be promoted 	<ul style="list-style-type: none"> • alignment with company values is being checked when employees are to be promoted • when values are internalized employees get promoted, this motivates colleagues to internalize values as well 	
Impact of Promotion on Culture and Organization	General Impact	<ul style="list-style-type: none"> • promotion is a sensitive issue for employees • actively approaching deserving employees and offering transparency to reinforce positive culture and satisfaction • not being recognized leads to frustration and resignation 		
	Importance of Transparency	<ul style="list-style-type: none"> • awareness of necessary steps for promotion • clear explanation and understanding of assessment criteria is crucial 	<ul style="list-style-type: none"> • transparency is crucial for building trust and open communication • role architecture is crucial for providing transparency • clarification of who was promoted and why is important 	<ul style="list-style-type: none"> • transparency in promotion system is crucial for shaping culture because employees are aware of criteria and can work towards these • lack of transparency can harm culture and trust
	Importance of Fairness & Equality		<ul style="list-style-type: none"> • job openings are promoted openly so everyone has the same chance to apply for the job 	<ul style="list-style-type: none"> • employees compare themselves with colleagues and if same performance is not rewarded equally, perception of unfairness arises • lack of fairness can harm

				appreciation and support between colleagues
	Importance of Support		<ul style="list-style-type: none"> • feedback channels to gain overview and evaluation of performance 	<ul style="list-style-type: none"> • development talks twice a year to discuss career aspirations • if promotion opportunity exists, employees get developed accordingly