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RELATIONSHIPS BETWEEN JUSTICE, ORGANIZATIONAL CITIZENSHIP BEHAVIOR, AND COPING OVER TIME

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ABSTRACT

The present study examines the incremental effects of interpersonal and informational justice over three time periods on organizational citizenship behavior (OCB) with data collected in the aftermath of a hurricane. Results indicate a possible recency effect in longitudinal justice perceptions, such that recent justice perceptions are more influential in predicting OCB than past justice perceptions. Additionally, two individual coping styles, approach and avoidance, were examined as moderators of the justice/OCB relationship. Using uncertainty management theory, we hypothesized that higher levels of avoidance coping would be associated with more uncertainty at the individual level, making justice perceptions more influential in predicting OCB, but higher levels of approach coping would be associated with less uncertainty at the individual level, making justice perceptions less influential in predicting OCB. The hypotheses were mostly supported for OCB directed toward individuals (OCBI), but not for OCB directed toward the organization (OCBO).

INTRODUCTION

The justice literature has slowly begun to examine the dynamic nature of justice, with some studies attempting to predict within person differences of justice perceptions over time (Holtz & Harold, 2009; Lilly, Virick & Hadani, 2010) and other studies focusing on the incremental impact of justice over time on outcome variables (Ambrose & Cropanzano, 2003; Hausknecht, Sturman & Roberson, 2011). Despite the interest in longitudinal justice effects, there still remains a dearth of studies on the topic and a lack of clear focus on applicable theory. Some justice theories implicitly assume justice perceptions are constant once formed, and therefore, the use of current justice theory to explain justice over time is sometimes difficult. Indeed, there is a tendency in longitudinal justice research to combine justice theory with theories outside the field to fully explain what happens with justice over time. We believe, however, that justice theory alone can be used to make predictions about justice over time. The purpose of this study is to use uncertainty management theory as a possible explanation to examine the incremental impact of justice over time on OCB and to investigate the role of individual coping behaviors in this relationship. Specifically, we examine whether coping style increases or reduces the influence of justice perceptions on OCB.

This study contributes to the literature in several ways. First, it addresses the understudied topic of justice over time, and examines the impact of longitudinal justice
perceptions on OCB, a critical component in healthy organizational functioning (Podsakoff, Mackenzie, Paine & Bachrach, 2000). Second, the study uses grounded justice theory alone as the basis of examining longitudinal effects of justice without combining justice and non-justice theories. This allows a cleaner interpretation of justice findings. Third, it investigates the impact of individual coping style on the relationship between justice and OCB to ascertain if individual coping style ameliorates the fair process effect (Folger, Rosenfield, Grove & Corkran, 1979; Lind, 2001) commonly found in cross-sectional justice research.

LITERATURE REVIEW

Justice over Time

A number of justice studies have suggested that justice over time is important in the workplace, with some research examining the impact of initial justice perceptions on subsequent events and perceptions. For example, researchers have found that justice measured at time 1 has an impact on perceptions of test fairness three weeks later (Bauer, Maertz, Dolen & Campion, 1998), on actual turnover measured three years later (Tekleab, Takeuchi & Taylor, 2005), and influences the acceptability of arbitrators by disputing parties three months later (Posthuma, Dworkin & Swift, 2000). These studies suggest that initial perceptions of justice are somewhat constant over time. In contrast to these studies, other researchers have examined how justice perceptions over time tend to fluctuate depending upon favorability of a particular outcome (Ambrose & Cropanzano, 2003; Thornhill & Saunders, 2003). Studies have also focused on explaining specific within-subject differences in justice over time (Holtz & Harold, 2009; Lilly et al., 2010) or the incremental impact of justice over time (Hausknecht et al., 2011).

A common element seemingly prevalent in more recent studies is that they have struggled to find a unifying theory of justice that fully accounts for justice over time. Earlier studies using social exchange theory (Blau, 1964), equity theory (Adams, 1963), or organizational justice theory based on the fair process effect (Lind, 2001) were primarily interested in examining how initial perceptions of justice influenced later variables (Bauer et al., 1998; Posthuma et al., 2000; Tekleab et al., 2005; Thornhill & Saunders, 2003). Thus, the stability found in social exchange relationships, equity comparisons, and the fair process effect was sufficient in explaining the results.

Recent studies, however, have focused more on explaining within-subject differences in justice over time or on the incremental impact of justice over time on specific outcome variables. It is more difficult to use social exchange theory, equity theory and the fair process effect when researchers detect changes in perceptions over time. For example, assume a researcher predicts justice perceptions of an initial event to fluctuate from high to low over several time periods. Using the norm of reciprocity in social exchange as the basis of a hypothesis, the researcher would have to predict the exchange relationship itself somehow changed at each measured time period. Using equity theory, the researcher would have to predict the equity fraction used for comparison changed at each measured time period. Using the fair process effect would not work at all since the premise of the fair process effect is that once individuals perceive fair procedures at work, that perception of fairness carries over to other aspects in the workplace.

Fairness heuristic theory (Lind, 2001) is another theory used at least partially to explain longitudinal effects of justice over time (Lilly et al., 2010). Fairness heuristic theory focuses primarily on the ability of individuals to use past fairness decisions to develop a heuristic about
future decisions. Studies have shown that the fairness heuristic is formed quickly (Van den Bos, Vermunt & Wilke, 1997), and that first impressions of justice influence subsequent perceptions of justice. A shortcoming of fairness heuristic theory concerning justice over time is that it does not take into account uncertainty and change. Even if there is complete certainty when forming impressions of justice at time 1, the environment can change, making subsequent perceptions the exact opposite of what is predicted by fairness heuristic theory. As many commonly used justice theories are not the most suitable for examining longitudinal perceptions of justice, researchers have combined justice theory with non-justice theory to predict the effects of justice over time. We discuss some of these theories next.

Non-justice Theory in Longitudinal Justice Research

Theories used to account for longitudinal perceptions of justice include Gestalt characteristics theory (Ariely & Carmon, 2000), Golembiewski, Billingsley and Yeager’s (1976) framework of change, Bruner’s model of the perceptual process (1957), and reconstructive memory (Carli, 1999; Loftus, Altman & Geballe, 1975; Sanitioso, Kunda & Fong, 1990). In each of the studies discussed below, these non-justice theories were combined with justice theory to account for longitudinal justice effects.

Gestalt characteristics theory (Ariely & Carmon, 2000), used by Hausknecht et al., (2011) argues that individuals experience a series of events and experiences over time, and when forming overall evaluations of those experiences, use those evaluations to form an experience profile (Gestalt characteristics) that are the basis of future judgments. The authors link Gestalt characteristics to fairness heuristic theory by suggesting that the fairness heuristics formed through repeated exchanges with supervisors in fairness heuristic theory is similar to forming an experience profile as described in Gestalt characteristics theory. Their study found evidence of justice trends being positively related to job satisfaction and organizational commitment, and being negatively related to turnover intentions.

Golembiewski et al’s (1976) classification of change was used by Holtz and Harold (2009) to theorize that within-person justice perceptions over time will be consistent with alpha change, but not with beta or gamma change. Alpha change refers to within-person changes that occur when respondents change their standing on a construct, but the interpretation of the construct rating scale and the conceptualization of the construct is constant. Beta change occurs when the rating scale is re-interpreted, and gamma change refers to a respondents’ fundamental change in the conceptualization of the construct. Their study found that overall justice perceptions do change over time, consistent with alpha change, but not beta or gamma change. The authors argue that uncertainty management theory supports the idea of justice perceptions being subject to an alpha change, but being resistant to beta and gamma change.

Lilly et al., (2010) also tested within-person perceptions of justice over time. They tested competing hypotheses (primacy and recency) to understand whether perceptions of justice over time were dynamic or remained constant. They used fairness heuristic theory as the basis of the primacy effect hypothesis, and Bruner’s (1957) model of the perceptual process and reconstructive memory as the basis of the recency effect hypothesis. The authors claim fairness heuristic theory supports a primacy effect since fairness heuristics form early perceptions which tend to remain constant, but Bruner’s (1957) model and reconstructive memory support a recency effect that causes justice perceptions to either become more polarized over time or to
fluctuate over time. Their study found that procedural justice perceptions tend to fluctuate over time due to intervening work decision outcomes, a similar finding to that of Holtz and Harold (2009).

The preceding studies have pulled from theories outside of the justice literature to explain changes in perceptions of justice over time. The present study attempts to use only current justice theory to make predictions about longitudinal perceptions of justice, and considers justice theory used in recent studies: fairness heuristic theory and uncertainty management theory. Hausknecht et al., (2011) report fairness heuristic theory conceptually includes the element of time since the theory is based on perceptions of justice to be formed based on repeated exchanges with supervisors, procedures and outcomes, but they do not use it as the basis for their hypotheses. Lilly et al., (2010) also suggest fairness heuristic theory may also have some predictive ability in justice over time, but only use it for one hypothesis. Holtz and Harold (2009) draw upon uncertainty management theory (Lind & Van den Bos, 2002; Van den Bos & Lind, 2002) and suggest an alpha change in justice perceptions may occur. We believe uncertainty management theory may be used to make predictions about longitudinal justice perceptions and to explain the moderating effects of coping style on justice over time. Our arguments are contained in the following paragraphs.

**Relationship between Justice and OCB and Uncertainty Management Theory**

Uncertainty management theory (Lind & Van den Bos, 2002; Van den Bos & Lind, 2002) suggests that individuals rely on justice judgments most when they are experiencing uncertainty. The theory is built on the idea that fairness, or justice, allows individuals to experience some control over their situation. Seminal works on process control, for example, propose that individuals will accept unfavorable outcomes if they are allowed some control over the process through voice, or reliance on consistent and unbiased procedures (Folger et al.1979; Greenberg & Folger, 1983). When uncertainty is present, individuals use justice judgments to manage their reactions to the situation, and the salience of uncertainty increases the influence of justice perceptions on other aspects of the organization.

Studies using uncertainty management theory have found that uncertainty combined with mistreatment amplifies the negative reactions from employees to a larger degree than when mistreatment alone was considered (Tangirala & Alge, 2006; Thau, Aquino & Wittek, 2007; Thau, Bennett, Mitchell & Marrs, 2009). In addition, some individuals tend to experience higher levels of uncertainty than others, and these individuals reported stronger negative reactions as well (Thau et al., 2007). Some element of uncertainty is ever-present in most workplaces, and this may be why justice effects are so powerful. For example, an alpha change, which occurs when respondents change their standing on a construct, should occur when levels of uncertainty increase or decrease. As uncertainty increases and becomes more salient to an individual, an alpha change in justice perceptions should occur that causes justice perceptions to become more influential.

Because the future is almost always uncertain and the present is often uncertain, uncertainty management theory supports the premise that perceptions of justice should influence constructs that are theoretically related to justice at all time periods. Essentially, we are making the following logical analysis: (1) people facing uncertainty rely on justice perceptions to make sense of their situation and to manage their reactions to uncertainty, (2) the future is almost
always uncertain while the present is often uncertain, and (3) therefore, people will almost always rely on justice perceptions to make sense of their future situation and will often rely on justice perceptions to make sense of their present situation.

Justice effects should thus be influential at all time periods, but more influential in current time periods than prior time periods because current uncertainty should be more salient than past uncertainty. As a result, we hypothesize there should be an incremental effect of justice over time on individual work attitudes and behaviors.

H1: There is an incremental effect of interpersonal (informational) justice over time on OCB, such that later perceptions of interpersonal (informational) justice will be associated with later perceptions of OCB beyond the effect of earlier interpersonal (informational) justice perceptions. (i.e., Time 2 justice perceptions will be associated with time 2 OCB beyond the effect of time 1 justice perceptions, and time 3 justice perceptions will be associated with time 3 OCB beyond the effect of time 1 and time 2 justice perceptions.)

We chose OCB as the outcome variable of interest because of its long history of being related to justice perceptions and because of its importance in the effective functioning of an organization. OCB is helping behavior in organizations that is commonly broken into two categories: 1) behavior directed toward the overall organization; and 2) behavior directed toward particular individuals in the organization (McNeely & Meglino, 1994; Williams & Anderson, 1991). Organizational justice is generally considered an antecedent of OCB (Fassina, Jones & Uggerslev, 2008; Moorman & Byrne, 2005), and researchers have suggested that OCBs are related to organizational effectiveness (see Podsakoff, et al., 2000, for a review). Thus, any research that helps clarify the antecedents of OCB is a worthwhile endeavor.

We chose to focus on interpersonal and informational justice, and not procedural justice, for the following reasons. While interpersonal justice has been linked to extra-role behaviors, such as those found in OCB (Aquino, 1995; Colquitt, 2001), procedural justice is more closely linked to system-wide issues (Cropanzano & Prehar, 1999; Moye, Masterson & Bartol, 1997) such as rule compliance (Aquino, 1995). Informational justice has been linked to collective self-esteem (Colquitt, 2001), a form of group self-esteem which is based partly on how actively individuals participate in group activities (Luhtanen & Crocker, 1992). Since OCB, by definition, requires an assessment of one’s behavior within a group setting, we believe informational justice is a good fit with the OCB construct.

**Individual differences in uncertainty.** We argue that uncertainty is ever-present in the workplace to some degree, and this is why justice perceptions are so influential. However, for some individuals, uncertainty seems to be more prevalent than for others. For example, studies have shown that internal locus of control is positively related to higher job performance and job satisfaction (Chen & Silverthorne, 2008; Judge & Bono, 2001), and negatively correlated with depression and causal uncertainty (Tobin & Raymundo, 2010). Studies have also shown that external locus of control and negative affect are positively related to causal uncertainty (Tobin & Raymundo, 2010). Thus, individuals with an internal locus of control are less likely to experience uncertainty than individuals with an external locus of control. Self esteem is also likely to have an impact on perceived uncertainty.

Gibbons and Buunk (1999) proposed that individuals who were chronically uncertain about themselves engaged in high levels of social comparison orientation, the act of constantly
engaging in social comparisons to increase self-understanding. In their study of uncertainty management theory, Thau, et al. (2007) used Gibbons and Buunk’s argument to propose that people who are predisposed to make frequent social comparisons (chronically uncertain) also react more strongly to fairness information than those who make less frequent comparisons. The common element, of course, is uncertainty. Therefore, we look at another individual characteristic that could enhance uncertainty – coping style.

**The Moderating Role of Coping Style**

A number of studies suggest the way individuals cope with stress can impact their reactions to a particular situation. Roth and Cohen (1986) describe two basic categories of coping responses: 1) approach coping, or trying to change the situation by confronting the situation, and 2) avoidance coping, or trying to avoid dealing with the situation. The coping strategy chosen by the individual depends partly upon the individual’s appraisal of the situation. If the appraisal indicates something can be done about the situation, approach coping is dominant. If the appraisal indicates nothing can be done about the situation, avoidance coping is dominant (Lazarus, 1993, p. 239). Generally speaking, greater approach coping is associated with better psychological outcomes while greater avoidance coping is associated with poorer psychological outcomes (Holahan & Moos, 1990; 1991; Vitaliano, Maiuro, Russo & Becker, 1987).

Researchers in coping often examine the antecedents and consequences of coping to better understand how individual coping style impacts the situation. For instance, some studies looking at avoidance coping have found that fear, anxiety and depression are positively related to avoidance coping (Barker, 2007; Duhachek & Oakley, 2007; Pakenham, 2006), while self-esteem is negatively related to avoidance coping (Barker, 2007). Studies examining approach coping have found that anxiety was not significantly related to approach coping (Pakenham, 2006). However, anger was positively related to approach coping (Duhachek & Oakley, 2007) and feelings of threat were negatively related to approach coping (Scheck & Kinicki, 2000). In general, studies on coping report that avoidance, or escapist, coping strategies are consistently associated with poor mental health outcomes, while approach coping strategies are sometimes associated with negative outcomes, sometimes positive outcomes, and sometimes neither (Folkman & Moskowitz, 2004, p. 747).

Based on coping research, it seems reasonable to expect an individual engaging in an avoidance coping style is more likely to experience uncertainty than an individual engaging in an approach coping style. This expectation is based on the premise that individuals engaging in an approach coping style generally will not experience increased fear and anxiety (Duhachek & Oakley, 2007; Pakenham, 2006), and will approach the situation to resolve it, thus leading to reduced levels of uncertainty. On the other hand, individuals engaging in an avoidance coping style generally believe nothing can be done about the situation (Lazarus, 1993). As a result, fear and anxiety are increased (Barker, 2007; Duhachek & Oakley, 2007; Pakenham, 2006), and avoidance of the situation leaves it unresolved, thus leading to heightened levels of uncertainty.

Uncertainty management theory is based on the premise that in situations of uncertainty, individuals rely more on justice perceptions to cope with the uncertainty. Thus, we believe individuals who are more likely to experience uncertainty will rely more heavily on justice perceptions than individuals who are less likely to experience uncertainty. Since avoidance
coping leads to higher levels of uncertainty than approach coping, we hypothesize that individuals who engage in an avoidance coping style will allow justice perceptions to influence their attitudes and behavior more than individuals who engage in an approach coping style.

H2: There will be a positive moderating effect between perceptions of justice and an avoidance coping style on OCB.

H3: There will be a negative moderating effect between perceptions of justice and an approach coping style on OCB.

As uncertainty increases for individuals with an avoidance coping style, they will rely on current justice perceptions to make sense of their situation. Essentially, the influence of justice on individual attitudes and behavior will be stronger for those with an avoidance coping style and will be weaker for those with an approach coping style.

METHOD

The data for the study were collected after a recent hurricane using a snowball collection method. The context of a natural disaster allowed us to presume levels of uncertainty existed within the sample, a necessary condition for using uncertainty management theory. The hurricane also allowed us to presume that stress and coping would be a salient issue with respondents, and thus, measures of coping would be particularly relevant.

Students in management classes were given an opportunity to receive extra credit by asking a full-time employee over the age of 30 to complete a series of three surveys about a recent hurricane and their experience in returning to work after the hurricane. Snowball data collection has been used frequently by researchers in recent years (Eaton & Struthers, 2002; Jandeska & Kraimer, 2005; Rotondo, Carlson & Kincaid, 2003; Treadway, Hochwarter, Kacmar & Ferris, 2003). In a study of hurricane-induced stress, Hochwarter, Laird and Brouer (2008) collected data in one sample by giving undergraduate students course credit for distributing five surveys to full-time employees, similar to our method of asking students after a hurricane to distribute surveys to full time employees over the age of thirty. Because we wished to measure employee attitudes within four weeks of the hurricane, a snowball sample allowed us to meet this deadline. The four week time period was to ensure that uncertainty surrounding the hurricane and its aftermath were not forgotten. Indeed, many people and businesses in a large area surrounding the school were still without power and running water several weeks after the storm.

The cover sheet to the survey was entitled, “Employee reactions to Hurricane Ike,” and the cover sheet stated that the purpose of the survey was to learn about individual experiences in returning to work after Hurricane Ike. Participants were thus given an appropriate frame of reference for their responses. The thirty year age requirement was to ensure that respondents were more likely to have a stable job in which uncertainty caused by a hurricane would be a major disruption in their normal work routine. Younger respondents, such as college students who often move from job to job during school, would be less likely to see a major disruption at work since their work schedules are often unstable to begin with.

The hurricane made landfall in the US on September 13, and classes resumed at the university on September 22. The first survey was distributed and completed between October 2 and October 9; the second survey was distributed and completed between November 4 and November 11; and the third survey was distributed and completed between December 2 and
December 9. Out of a total of 324 questionnaires distributed, 255 were returned, yielding the response rate of 78.7%. After screening for missing data, we eliminated 42 responses, resulting in a final sample size of 213. Respondents were from 14 different industries. Average age was 43.35, and approximately 49% were men and 45.5% were women (5.5% did not respond). All had been affected by the hurricane, although only 1.2% reported that either they or one of their family members suffered from actual physical injury as a result of the hurricane. Many lost power (86.7%), with 39.9% reporting they were without electricity for over six days. Although 35.2% of the respondents returned to work two days after the storm, 23.9% did not return to work until after September 19, over six days after the storm hit. In December, 31% of the respondents reported that people were still talking about the hurricane at work three months later.

**Measures**

All variables were measured using either a 7-point Likert scale or a 5-point Likert scale. For the organizational behavior scales and the coping scales, the items asked how often respondents engaged in certain behavior or how often they reacted to stress episodes. The response format for these two scales was, 1 = never and 7 = always. The justice scales asked respondents to what extent supervisors engaged in certain behaviors. Following the example of Colquitt (2001), these items used a 5-point scale with 1 = to a very small extent and 5 = to a very large extent.

*Coping response.* Items measuring coping response strategies were measured at time 1 and were taken from the coping response inventory (Moos, 1993). Coping strategies are categorized into two main dimensions – 1) approach or avoidance and 2) cognitive or behavioral. For approach coping strategies, we used two subscales: positive reappraisal (a cognitive strategy) and problem solving (a behavioral strategy). For avoidance coping strategies, we used the following two subscales: cognitive avoidance (a cognitive strategy) and emotional discharge (a behavioral strategy). These four subscales were used by Valentiner, Holahan, & Moos (1994) as representatives of approach and avoidance coping; thus, we follow their example and do the same in the present study. Each subscale consisted of 6 items, and sample items include the following: “Try not to think about the problem” (cognitive avoidance); “Yell or shout to let off steam” (emotional discharge); “Make a plan of action and follow it” (problem solving); and “Try to see the good side of the situation” (positive reappraisal). The cognitive avoidance and emotional discharge scales were added together to get one score for the avoidance coping and the problem solving and positive reappraisal scales were added together to get one score for the approach coping scale.

*Justice.* The items for interpersonal justice and informational justice were measured at all three time periods and were taken from Colquitt’s (2001) scale. Interpersonal justice was measured with four items, and informational justice was measured with five items. Sample items include, “To what extent does your supervisor treat you in a polite manner” (interpersonal justice), and “To what extent does your supervisor explain work procedures thoroughly at work” (informational justice).
Organizational citizenship behavior (OCB). Sixteen items were used to measure OCB, with eight items representing OCB directed toward the individual (OCBI) and eight items representing OCB directed toward the organization (OCBO). These items were measured at all three time periods and were taken from Lee and Allen’s (2002) scale. Respondents were asked how often they engaged in behaviors such as “Share personal property with others to help their work” (OCBI) and “Take action to protect the organization from potential problems” (OCBO).

ANALYSES AND RESULTS

We used SmartPLS 2.0 M3 (Ringle, Wende, & Will, 2005) to analyze the measurement and structural models. Unlike a covariance-based structural equation modeling (SEM) used in LISREL, Partial Least Squares (PLS), a component-based SEM, was chosen because it is more flexible in terms of both distribution assumptions (e.g. multivariate normality is not necessary) and sample size requirements (Chin, Marcolin & Newsted, 2003). Considering the purpose of the study and the ratio between the number of the constructs in the models and the sample size, we believed that using PLS would be a more appropriate choice.

Measurement Model

To validate psychometric properties (i.e. discriminant validity, convergent validity, and reliability) of the constructs in SmartPLS, both measurement and structural models technically have to be run simultaneously. However, we would proceed to evaluate the structural model only if the CFA results of the measurement model were satisfactory. As a result of the first run, using 0.6 as a cutoff value, we eliminated six items of the approach construct (3 items from positive reappraisal and 3 items from problem solving) and six items of the avoidance construct (3 items from cognitive avoidance and 3 items from emotional discharge). It is not uncommon to have low internal consistency in coping scales because using one coping response could reduce the need to use other responses from the same category (Holahan, Moos, Holahan & Brennan, 1997; Moos & Holahan, 2003; Timko, Cronkite & Moos, 2010). Indeed, in a study of stressors and avoidance coping, Timko, et al. (2010) created an avoidance coping scale by combining two items of a cognitive nature with six items of a behavioral nature. Our scales thus combine three cognitive items and three behavioral items for both the approach coping style and the avoidance coping style.

Noticeably, the results of the subsequent run improved, in that they attested discriminant validity, convergent validity, and reliability of all the constructs as described below. As shown in Table 1 in Appendix, the square root of the average variance extracted (AVE) of each of the constructs was greater than its correlation with all the other constructs, thus demonstrating discriminant validity (Gefen & Straub, 2005). In addition, while there were still some cross-loading items between those of informational justice and those of interpersonal justice, we decided to retain the items, because not only were the differences of the loadings very small (from 0.1-0.3), they also had been well validated by previous researchers (e.g. Colquitt, 2001). Furthermore, the majority of the items in fact reasonably loaded (> 0.6) on their own factors, showing evidence of discriminant validity (Gefen & Straub, 2005). The t-statistics of all the items loading on their respective factors (ranging from 7.48 to 123.2) were significant at the
0.001 level, strongly exhibiting a high degree of convergent validity (Gefen & Straub, 2005). Finally, both composite reliability and Cronbach’s alpha coefficients of all the constructs exceeded 0.8, indicating satisfactory reliability (Fornell & Larcker, 1981; Nunnally, 1978). Taken together, these results demonstrated the quality of the measurement model. Thus, we then turned to examine the structural model.

**Structural Model**

To examine the significance of the paths in SmartPLS, a bootstrapping procedure (n = 213 with 500 samples) was performed. Running two models for interpersonal justice and two separate models for informational justice, we found the results appeared to be somewhat similar. In the PLS models, we controlled the effects of OCBI and OCBO by linking those at earlier times to those at later times (e.g., OCBI T1 was linked to OCBI T2, OCBO T2, OCBI T3, and OCBO T3). The moderating terms were generated using an algorithm demonstrated in the work of Chin et al., (2003). The first hypothesis states there is an incremental effect of justice over time on OCB, such that time 2 justice perceptions will be associated with time 2 OCB beyond the effect of time 1 justice perceptions and time 3 justice perceptions will be associated with time 3 OCB beyond the effect of time 1 and time 2 justice perceptions. To test this hypothesis, we examined the beta coefficients and p-values between justice at each time period and OCB at each time period. If the beta coefficients between justice and OCB have greater significance (lower p-values) at later time periods than in earlier time periods, there is evidence of an incremental effect of justice over time on OCB, suggesting a possible recency effect triggered by uncertainty. Additionally, there is evidence of an incremental effect of justice over time if the beta coefficients between justice and OCB are significant at later time periods, but not significant at earlier time periods. For example, if the beta coefficient between justice at time 1 and OCB at time 2 is not significant, but the beta coefficient between justice at time 2 and OCB at time 2 is significant, there is evidence that time 2 justice perceptions are associated with OCB at time 2 beyond the effects of time 1 justice perceptions.

**Relation between interpersonal justice and OCB.** Regarding interpersonal justice (see Figure 2), interpersonal justice at time 1 overall explained about 19% of the variance in interpersonal justice at time 2, and accounting for the effect of time 1, interpersonal justice at time 2 overall explained about 36% of the variance in interpersonal justice at time 3. At time 1, interestingly, none of the relationships were significant except for the direct relationship between interpersonal justice and OCBO ($b = 0.17$, $p < 0.001$), as shown in Figure 2 in Appendix.

At time 2, interpersonal justice was found to be a significant predictor of both OCBI ($b = 0.29$, $p < 0.001$) and OCBO ($b = 0.29$, $p < 0.001$). Comparing this result to the relationship between interpersonal justice at time 1 and OCB at time 2, we found that interpersonal justice at time 1 was not a significant predictor of OCBI at time 2 ($b = -0.1$, $ns$), but was a significant predictor of OCBO at time 2 ($b = -0.12$, $p < .05$). Since the p-value is not significant for OCBI and is weaker for OCBO ($p < .05$ versus $p < .001$), this indicates the effects of interpersonal

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1 This procedure is similar to that used by Ambrose and Cropanzano (2003) in a longitudinal study in which they hypothesized perceptions of justice will be related to job attitudes after controlling for previous perceptions of justice. We also tested hypothesis 1 using their method of multiple regression analysis and found similar results.
justice at time 2 on OCB at time 2 are greater than the effects of interpersonal justice at time 1 on OCB at time 2, supporting hypothesis 1. At time 3, interpersonal justice was also found to be a significant predictor of both OCBI time 3 (b = 0.16, p < 0.01) and OCBO time 3 (b = 0.16, p < 0.01), while the relationship between interpersonal justice at time 2 and OCB at time 3 were insignificant (b = -0.13, ns for OCBI; b = -0.15, ns for OCBO). This again indicates an incremental effect of justice over time on OCB in support of hypothesis 1.

**Relation between informational justice and OCB.** Regarding informational justice (see Figure 3 in Appendix), we found that informational justice at time 1 overall explained about 21% of the variance in informational justice at time 2, and accounting for the effect of time 1, informational justice at time 2 overall explained about 27% of the variance in interpersonal justice at time 3. At time 1, informational justice was found to be a significant predictor of both OCBI (b = 0.2, p < 0.001) and OCBO (b = 0.3, p < 0.001). At time 2, informational justice was also found to be a significant predictor of both OCBI (b = 0.32, p < 0.001) and OCBO (b = 0.32, p < 0.001). Comparing this result to the relationship between informational justice at time 1 and OCB at time 2, we found that informational justice at time 1 was not a significant predictor of OCBI at time 2 (b = -0.1, ns), but was a significant predictor of OCBO at time 2 (b = -0.13, p < .05). Since the p-value is not significant for OCBI and is weaker for OCBO (p < .05 versus p < .001), this indicates the effects of informational justice at time 2 on OCB at time 2 are greater than the effects of informational justice at time 1 on OCB at time 2, supporting hypothesis 1. Finally, at time 3, informational justice was found to be a significant predictor of both OCBI (b = 0.13, p < 0.05) and OCBO (b = 0.18, p < 0.001). Comparing this result to the relationship between informational justice at time 2 and OCB at time 3, we found that informational justice at time 2 was not a significant predictor of OCBI at time 3 (b = 0.01, ns), but was a significant predictor of OCBO at time 3 (b = -0.13, p < .05). Again, the comparison shows either a non-significant result for OCBI or a weaker significance value for OCBO (p < .05 versus p < .001), indicating support for hypothesis 1.

**Avoidance coping as a moderator.** Hypothesis 2 stated there would be a positive moderating effect between perceptions of justice and an avoidance coping style on OCB. The moderating terms were generated in SmartPLS, using an algorithm in line with the interaction approach demonstrated in the work of Chin et al., (2003), and the hypothesis was tested at each time period. As seen in Figure 2, there was no moderating effect between perceptions of interpersonal justice and avoidance on OCB at time 1 (b = -22, ns for OCBI; b = -0.13, ns for OCBO). However, at time 2, there was a positive interaction between interpersonal justice and avoidance on OCBI at time 2 (b = 0.2, p < .01), but not on OCBO at time 2 (b = 0.12, ns). There was also a positive interaction between interpersonal justice and avoidance at time 3 on OCBI time 3 (b = 0.14, p < .05), but not on OCBO time 3 (b = -0.06, ns).

The results for informational justice found similar results as shown in Figure 3. There was no interaction between perceptions of informational justice and avoidance at time 1 (b = -0.23, ns for OCBI; b = -0.13, ns for OCBO), but there was a positive interaction between perceptions of informational justice time 2 and avoidance on OCBI time 2 (b = 0.17, p < .01) and no interaction on OCBO time 2 (b = 0.15, ns). At time 3, there was a positive interaction between
informational justice and avoidance on OCBI at time 3 ($b = 0.19, p < .05$), but not on OCBO at time 3 ($b = -0.07, ns$).

**Approach coping as a moderator.** Hypothesis 3 stated there would be a negative moderating effect between perceptions of justice and an approach coping style on OCB. The hypothesis was tested in each time period. As shown in Figure 2, there was no moderating effect between perceptions of interpersonal justice and approach on OCB at time 1 ($b = -0.1, ns$ for OCBI; $b = -0.05, ns$ for OCBO). At time 2, there was a negative interaction between interpersonal justice time 2 and approach on OCBI at time 2 ($b = 0.12, p < .05$), but not on OCBO at time 2 ($b = -0.08, ns$). At time 3, there was a negative interaction between interpersonal justice time 3 and approach on OCBI at time 3 ($b = 0.14, p < .05$), but not on OCBO at time 3 ($b = -0.08, ns$).

For informational justice shown in Figure 3, there was no significant interaction between informational justice and approach on OCB at time 1 ($b = -0.07, ns$ for OCBI time 1; $b = -0.08, ns$ for OCBO time 1) nor at time 2 ($b = -0.04, ns$ for OCBI; $b = -0.08, ns$ for OCBO). At time 3, there was a significant interaction between informational justice time 3 and approach on OCBI time 3 ($b = -0.18, p < .001$), but not on OCBO time 3 ($b = -0.13, ns$).

Comparing the findings on interpersonal and informational justice, we found that the results appeared to be rather similar, except for the following. First, at time 1, while the relationship between interpersonal justice and OCBI was not significant, the relationship between informational justice and OCBI was strongly significant. Second, at time 2, while the relationship between interpersonal justice and OCBI was negatively moderated by an approach coping style the relationship between informational justice and OCBI was not.

**DISCUSSION**

The first hypothesis stating there will be incremental effects of justice over time was supported. We believe uncertainty management theory helps explain this finding because uncertainty in current time periods should be more prevalent or salient than uncertainty in past time periods. Presumably, some issues with uncertainty are resolved as time progresses and more information becomes available to individuals allowing them to better understand the past. Because of this, perceptions of justice in the current time period with higher levels of uncertainty were more influential in the current time period than perceptions of justice in past time periods.

This finding also suggests there may be a recency effect in justice over time, such that recent events are more influential in predicting justice perceptions than past events. This finding is similar to that found by Holtz and Harold (2009) and Lilly et al., (2010), but contradicts the findings reported by Hausknecht et al., (2011). While the Holtz and Harold (2009) and Lilly et al., (2010) studies suggest a recency effect occurs due to within-person changes over time, Hausknecht et al., (2011) suggest that perceptions of justice are formed through a series of experiences over time, thus forming a fairness heuristic that acts as a template for evaluating future judgments.

Experimental studies on uncertainty management theory have found that when uncertainty was made salient, justice manipulations were stronger than when uncertainty was not salient (Van den Bos, 2001; Van den Bos & Miedema (2000). Essentially, any kind of
uncertainty can boost the influence of justice, not just uncertainty in the workplace. Indeed, one study in support of uncertainty management theory created feelings of uncertainty by asking participants to consider their feelings about death (Van den Bos & Miedema, 2000). Because uncertainty appears to be influential in forming justice perceptions, the context of a natural disaster used in the present study allowed us to take advantage of uncertainty in two different contexts – a work context of uncertainty in terms of when the organization would be back on a normal business schedule and a home context of uncertainty in terms of when home repairs would be completed and water and electrical power would be restored. Although we did not measure uncertainty directly, we believe the uncertainty created by a natural disaster increased the influence of justice perceptions as described by uncertainty management theory. Indicators of uncertainty felt by respondents included the following facts: many participants (39.9%) reported losing power for over six days; 23.9% reported not returning to work for six days; and 31% of respondents reported that people at work were still talking about the hurricane three months later. Cleanup in the state of Texas was still not complete after six months, and the cleanup effort affected both homeowners and organizations in Texas (FEMA, Aug 11, 2010). Thus, at each time period, respondents as a whole were not “finished” with the hurricane; therefore, uncertainty at each time period could have caused perceptions of justice in the current time period to be more influential than past perceptions of justice.

The high level of uncertainty felt by the general population should have created a context in which justice perceptions become more salient as described in uncertainty management theory. However, individual reactions to uncertainty may also influence perceptions of justice or individual behavior. Thus, the premise of hypotheses 2 and 3 take into account individual reactions to stressful situations which could increase or mitigate feelings of uncertainty.

The second hypothesis stated there will be a positive moderating effect between perceptions of justice and an avoidance coping style on OCB. Prior literature on coping suggests that fear, anxiety and depression are positively related to avoidance coping (Barker, 2007; Duhachek & Oakley, 2007; Pakenham, 2006). In addition, individuals engaging in an avoidance coping style generally believe nothing can be done about the situation (Lazarus, 1993). We argue the combination of fear, anxiety, depression, and the belief that nothing can be done creates a condition of uncertainty for the individual engaging in avoidance coping. This uncertainty then leads to justice perceptions becoming more influential in determining future behavior and perceptions of organizational variables. Hypothesis 2 was supported for OCBI, but not for OCBO.

The third hypothesis stated there will be a negative moderating effect between perceptions of justice and an approach coping style on OCB. This hypothesis is based on literature stating that individuals engaging in an approach coping style generally will not experience increased fear and anxiety (Duhachek & Oakley, 2007; Pakenham, 2006). Thus, these individuals will approach the situation to resolve it, leading to reduced levels of uncertainty overall. According to uncertainty management theory, reduced uncertainty should result in justice perceptions being less influential in determining future behavior and perceptions of organizational variables. Hypothesis 3 was supported for OCBI at time 3 for interpersonal justice and informational justice, but only for OCBI at time 2 for interpersonal justice.

The finding that coping style is a significant moderator only for OCBI, and not for OCBO, indicates that coping style and justice perceptions may be more influential at the
individual level and less influential at the organizational level. The reason for this finding may be due to the context of the study, a natural disaster. Natural disasters are felt at the individual level by people in close proximity to one another. It is difficult to ignore the hardships of people right next to you; thus, the most noticeable behaviors may be those specifically related to individuals. Many of the OCBI items fit directly into the types of helping behavior one might see at work after a disaster (e.g., “Show genuine concern and courtesy toward coworkers, even under the most trying business or personal situations”). In contrast, the OCBO items may seem much less important after a disaster (e.g., “Show pride when representing the organization in public”).

The finding that individuals engaged in an approach coping style were less influenced by informational justice perceptions at time 3 than at time 2 may be explained by using uncertainty management theory. It is not unreasonable to assume that uncertainty created by the hurricane was stronger at time 2 than at time 3, causing justice perceptions to have more impact in earlier time periods. During the four week period from time 2 to time 3, at least some repairs and cleanup would have been completed, reducing overall uncertainty to some degree at time 3. However, uncertainty could be very salient at time 2 for people trying to juggle work duties with home repairs, especially regarding informational justice issues such as explanations about altered work procedures or schedules in response to the hurricane. If individuals engaging in an approach coping style cannot get closure on the hurricane, the resulting uncertainty could lead to more reliance on justice perceptions in predicting OCB. Indeed, uncertainty management theory states that fairness will matter more for employee behavior when employees are experiencing uncertainty (Lind & Van den Bos, 2002). As overall uncertainty is reduced at time 3 (and individuals engaging in approach coping are likely to take an active role to reduce uncertainty), justice perceptions become less influential in predicting employee behavior.

Although overall uncertainty is likely to be stronger at time 2 as discussed above, the interpersonal aspects of being treated politely and with respect may not be very meaningful to individuals focused on solving problems associated with the hurricane if there is a general societal expectation of polite treatment. This statement is based on results showing a direct positive relationship between interpersonal justice and OCBI, but a negative interaction of interpersonal justice x approach coping style on OCBI. Individuals using an approach coping style may be less concerned with interpersonal justice, in general, and more concerned with concrete results.

Interpersonal justice perceptions are based partly upon making social comparisons with how others are treated. For example, individuals judge whether a particular action is respectful or not based on observing examples of both respectful and disrespectful behavior. Gibbons and Buunk (1999) proposed that individuals who engaged in high levels of social comparisons were chronically uncertain, while Thau et al., (2007) found that people who are high in social comparison orientation react more strongly to fairness information than those who are lower in social comparison orientation. Thus, people who experience low levels of uncertainty, such as those who engage in approach coping, are less anxious and are likely to make fewer social comparisons in interpersonal justice judgments. Therefore, they are less likely to let justice perceptions influence their organizational behavior regardless of time period.

CONCLUSION
Studies of justice over time are rare, perhaps because good quality longitudinal data is difficult to obtain. However, the robust nature of organizational justice suggests that longitudinal justice studies may enhance our understanding of how to utilize this construct in a practical and meaningful way in the workplace. For example, cross-sectional studies often refer to the fair process effect (Folger et al., 1979) in which individuals who believe a decision process is fair are more accepting of the outcome than those who do not believe the process is fair, but does this effect continue over time? The present study and some earlier studies have found that either the effects of justice perceptions or the perception of justice itself may change over time (Ambrose & Cropanzano, 2003; Hausknecht et al., 2011; Holtz & Harold, 2009; Lilly et al., 2010; Thornhill & Saunders, 2003).

Limitations of the present study include attrition and no direct measure of uncertainty. The first survey administration produced 255 surveys, the second produced 218 surveys (85.4% retention rate), and the third produced 213 surveys (83.5% retention rate). To deal with participant attrition, and to ensure no self-selection or possible participant non-random bias had occurred, we used a procedure recommended by Goodman and Blum (1996). Specifically, a dichotomous variable was created to differentiate between participants who responded to all three surveys (stayers) and participants who responded only to Time 1 (leavers). Logistic regression was performed using the dichotomous variable of stayer/leaver as the dependent variable and interpersonal justice time 1, informational justice time 1, OCBI time 1, and OCBO time 1 as the independent variables. Results indicated that none of the regression coefficients were significant (p < .84 for interpersonal justice; p < .79 for informational justice; p < .19 for OCBI; p < .10 for OCBO), suggesting there was no non-random bias in the data.

Although there was no direct measure or manipulation of uncertainty, we believe the context of a natural disaster provides an environment of uncertainty that can be assumed when using uncertainty management theory as the basis for hypotheses. Indeed, Lind and Van den Bos (2002) suggest that times of turmoil (e.g., the aftermath of a hurricane) create a level of uncertainty most likely to need fairness-related actions. The level of uncertainty may vary by individual, of course, but the use of approach and avoidance coping to theoretically define this level of uncertainty allows us to again use uncertainty management theory as the basis for hypotheses. Additionally, several researchers using uncertainty management theory as the theoretical basis for their studies do not directly measure uncertainty (Rosen, Harris & Kacmar, 2011; Tangirala & Alge, 2006; Thau et al., 2007; Thau et al., 2009 – Study 1).

One practical implication of the present study for managers is the knowledge that employee coping style may increase or reduce the influence of fair procedures in the workplace. Presumably, organizations will want employees to engage in approach coping strategies at work since this coping behavior focuses on resolving the situation and reducing uncertainty for the individual employee as well as others affected by the stressful situation. Training employees in approach coping strategies might be useful, therefore, in reducing response time to customer complaints or reducing the time needed to resolve typical workplace issues such as interdepartmental disputes. However, employees engaged in approach coping behavior tend to be less influenced by justice perceptions, possibly making major investments in fair procedures and the communication of those procedures to employees a costly endeavor with fewer benefits than expected. Of course, for ethical reasons and legal reasons, managers should attempt to create and implement fair procedures in the workplace. However, early studies on the fair process effect
(Folger, et al., 1979) suggesting that fair procedures ameliorate negative employee reactions to work decision outcomes may be too comprehensive in scope by painting a majority of employees with one brush.

Future research should focus on providing a unifying theory of justice over time. We believe uncertainty management theory is a good starting point for this discussion, and greater understanding of longitudinal justice perceptions will enhance our ability to bring academic research closer to practical management application. We specifically acknowledge the contribution by Lind and Van den Bos (2002) suggesting there is a cost to fair procedures; sometimes it is more efficient and more cost-effective to use procedures that are less fair. Thus, researchers need to develop a more comprehensive perspective of how justice influences individuals over time, so that organizations will not waste an investment of time and resources into procedures that may not benefit the organization.

REFERENCES

Croppanzano, R. & Prehar, C. A. 1999, April. Using social exchange theory to distinguish procedural from interactional justice. Presented at the 14th annual meeting of the Society for Industrial and Organizational Psychology, Atlanta, GA.


### APPENDIX

#### TABLE 1

Means, Standard Deviations, Bivariate Correlations, Reliabilities, and Square Roots of the Average Variance Extracted (n = 213)

<table>
<thead>
<tr>
<th></th>
<th>Mean (SD)</th>
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<th>CA</th>
<th>1</th>
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<th>14</th>
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<tbody>
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<td>1</td>
<td>Approach</td>
<td>5.11 (0.98)</td>
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<td>Avoidance</td>
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<td>0.85</td>
<td>-0.37**</td>
<td>0.68</td>
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<tr>
<td>3</td>
<td>Inform T1</td>
<td>3.68 (0.97)</td>
<td>0.92</td>
<td>0.89</td>
<td>0.36**</td>
<td>-0.10</td>
<td>0.83</td>
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<tr>
<td>4</td>
<td>Inform T2</td>
<td>3.69 (0.83)</td>
<td>0.91</td>
<td>0.88</td>
<td>0.20**</td>
<td>0.02</td>
<td>0.46**</td>
<td>0.82</td>
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<tr>
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<td>0.52**</td>
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<td>Inter T1</td>
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<td>0.90</td>
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<td>7</td>
<td>Inter T2</td>
<td>4.04 (0.83)</td>
<td>0.93</td>
<td>0.90</td>
<td>0.20*</td>
<td>-0.11</td>
<td>0.41**</td>
<td>0.74**</td>
<td>0.48**</td>
<td>0.44**</td>
<td>0.88</td>
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<tr>
<td>8</td>
<td>Inter T3</td>
<td>4.03 (0.82)</td>
<td>0.93</td>
<td>0.90</td>
<td>0.23**</td>
<td>-0.21**</td>
<td>0.50**</td>
<td>0.50**</td>
<td>0.68**</td>
<td>0.49**</td>
<td>0.60**</td>
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<tr>
<td>9</td>
<td>OCBI T1</td>
<td>5.04 (0.98)</td>
<td>0.92</td>
<td>0.90</td>
<td>0.43**</td>
<td>-0.32**</td>
<td>0.24*</td>
<td>0.15*</td>
<td>0.10</td>
<td>0.17</td>
<td>0.16*</td>
<td>0.11</td>
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<td>10</td>
<td>OCBI T2</td>
<td>5.14 (0.90)</td>
<td>0.89</td>
<td>0.86</td>
<td>0.22**</td>
<td>-0.25**</td>
<td>0.17</td>
<td>0.36**</td>
<td>0.13</td>
<td>0.14</td>
<td>0.36**</td>
<td>0.27**</td>
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<td>0.72</td>
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<tr>
<td>11</td>
<td>OCBI T3</td>
<td>5.14 (0.89)</td>
<td>0.90</td>
<td>0.88</td>
<td>0.13</td>
<td>-0.17</td>
<td>0.17</td>
<td>0.28**</td>
<td>0.21*</td>
<td>0.14</td>
<td>0.24**</td>
<td>0.30**</td>
<td>0.33**</td>
<td>0.58**</td>
<td>0.73</td>
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<tr>
<td>12</td>
<td>OCBO T1</td>
<td>5.27 (1.16)</td>
<td>0.94</td>
<td>0.92</td>
<td>0.52**</td>
<td>-0.31**</td>
<td>0.34**</td>
<td>0.18**</td>
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<tr>
<td>13</td>
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<td>5.33 (1.11)</td>
<td>0.93</td>
<td>0.92</td>
<td>0.25**</td>
<td>-0.20**</td>
<td>0.22*</td>
<td>0.40**</td>
<td>0.27**</td>
<td>0.20*</td>
<td>0.42**</td>
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<td>0.36**</td>
<td>0.59**</td>
<td>0.43**</td>
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</tr>
<tr>
<td>14</td>
<td>OCBO T3</td>
<td>5.30 (1.06)</td>
<td>0.93</td>
<td>0.91</td>
<td>0.24**</td>
<td>-0.12</td>
<td>0.22*</td>
<td>0.27**</td>
<td>0.36**</td>
<td>0.14</td>
<td>0.26**</td>
<td>0.40**</td>
<td>0.26**</td>
<td>0.38**</td>
<td>0.59**</td>
<td>0.46**</td>
<td>0.69**</td>
</tr>
</tbody>
</table>

Note: SD = standard deviation; CR = composite reliability; CA = Cronbach’s alpha; the shaded diagonal values are the square root of the average variance extracted (AVE) for each construct; ** Correlation is significant at the 0.01 level (2-tailed); * Correlation is significant at the 0.05 level (2-tailed).
FIGURE 1
Results of Path Analysis for Interpersonal Justice (n = 213)

Notes. * p < 0.05, ** p < 0.01, *** p < 0.001 in one-tailed tests. Dashed line represents insignificant path. This figure has been simplified from the models run in SmartPLS e.g. the paths of OCBI and OCBO from earlier to later times, as control variables, are not shown for clarity purpose.

FIGURE 2
Results of Path Analysis for Informational Justice (n = 213)

Notes. * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$ in one-tailed tests. Dashed line represents insignificant path. This figure has been simplified from the models run in SmartPLS e.g. the paths of OCBI and OCBO from earlier to later times, as control variables, are not shown for clarity purpose.
CAREER FUTURE AND INTENT TO REMAIN: INSIGHT INTO THE MECHANISM IN THE CHANGE CONTEXT
Veena P. Prabhu, California State University, Los Angeles, vprabhu@calstatela.edu

ABSTRACT

The dual purpose of the paper was to first test the relationship between an employee’s intent to remain with the organization and career future in the change context. Secondly we tested for potential moderators and mediators at the organizational and individual level. The results provided robust evidence for the relationship between intent to remain and career future. Furthermore proactive personality and managerial communication moderated while job satisfaction completely mediated this relationship. Job performance, affective commitment to change and perceived organizational support did not affect this relationship. Implications for organizations and future research are discussed.

INTRODUCTION

Arthur, Hall, and Lawrence (1989) defined career as “the evolving sequence of a person’s work experiences over time” and pointed out that the true essence of career lies in the actuality—“Everyone who works has a career” (p. 9). They appropriately illustrated the point that career is basically the relationship between the individual and the organization and how this relationship fluctuates over time. Thus the study of careers is the study of both individual and organizational change (Van Maanen, 1977).

Careers have changed dramatically with advances in technology (Coover, 1995; Freeman, Soete, & Efendioglu, 1995; Howard, 1995; Van der Spiegel, 1995) and with increased global competition (Rosenthal 1995). Thus today's borderless world is characterized by technological advances and companies are competing for survival. The assumption that an organization would provide lifetime employment has undoubtedly become a myth—“both parties know that the [employment] relationship is unlikely to last forever” (Cappelli, 1999, p. 3). Add to this the element of change and one has the perfect recipe to a chaotic and uncertain environment which in turn demands that employees start charting and navigating their own careers. Thus, there is renewed interest among individuals to take responsibility for their careers and among researchers to investigate the effect of organizational change on those careers (e.g., Sullivan, Carden, & Martin, 1998).

Several authors have noted that understanding the strategies and behaviors applied by individuals to achieve career success is of vital importance (Bell & Staw, 1989; Judge & Bretz, 1994). However there is hardly any research which has studied the effect of an employee’s intention to remain with the organization as a potential predictor of career future. Intuitively this is especially true in a change context which is marked with uncertainty. Hence if an employee intends to remain with an organization he or she will take steps to ensure that their career advances and will take advantage of every growth opportunity. In the present study we have concentrated on the construct of career future because in the backdrop of change, individuals are bound to be concerned about their job security and whether they anticipate ‘to climb the ladder’ if they continue to work for the same organization. Although the extant literature lacks an appropriate definition for the construct of career future we have
operationalized it as an employee’s belief about having not only having job security but also prospects for career advancement via growth opportunities in the present organization.

The purpose of this paper is dual in nature. Firstly we plan to test the significance of the relationship between an employee’s intent to remain with the organization and career future. Furthermore we would like to provide some insight into the mechanism of this relationship. With this aim in mind we conducted in-depth research based on the extant literature of organizational change and careers and included six potential factors, three at the individual level—proactive personality, job satisfaction and job performance and three at the organizational level—managerial communication, affective commitment to change and perceived organizational support.

Following is brief discussion of each of these variables and a list of the anticipated hypotheses studied and testing in this paper.

**Hypothesis 1:** In a change setting intent to remain with the organization will have a significant relationship with career future

**Proactive Personality**

Bateman and Crant (1993) defined the construct proactive personality “as a dispositional construct that identifies differences among people in the extent to which they take action to influence their environment” (p. 103). They further developed the Proactive Personality Scale (PPS) to measure this construct and provided evidence for the scale’s convergent, discriminant, and predictive validity with results from three studies. Since then, a number of studies have consistently demonstrated the validity of the proactive personality construct, as assessed by the PPS (e.g., Becherer & Maurer, 1999; Bateman & Crant, 1999, Crant, 1995, 1996; Crant & Bateman, 2000; Kirkman & Rosen, 1999; Parker & Sprigg, 1999).

Proactive personality (PAP) is a unique disposition not captured by other typologies such as the five-factor model; Crant and Bateman (2000) found only moderate correlations with the five-factor model of personality. Furthermore, Crant (1995) found that PAP predicted sales performance above and beyond conscientiousness and extraversion. Additionally, Bateman and Crant (1993) showed that PAP is distinct from self-consciousness, need for achievement, need for dominance, and locus of control. All these studies provide further evidence for the discriminant validity of PAP.

In an interesting study by Seibert, Crant, and Kraimer (1999), PAP was associated with career success even after accounting for predictors, such as demographics, human capital, motivation, type of organization, and type of industry. In another longitudinal study they also found PAP to be positively related to career initiative, which consequently has a positive impact on career progression and career satisfaction (Seibert, Kraimer, & Crant, 2001). Based on the above discussion we anticipate that proactive personality will moderate the relationship between intent to remain with the organization and career future.

**Hypothesis 2:** In a change setting proactive personality will moderate the relationship between intent to remain and career future.

**Job Performance and Job Satisfaction**
The range of job-related outcomes usually considered in work design research has been criticized as being too limited. However, traditional outcomes such as job satisfaction (intrinsic) and job performance (extrinsic) will certainly remain central to the agenda; hence these two outcomes were chosen in the present study. Intrinsic success is also important because of its relation to life satisfaction (Lounsbury, Park, Sundstrom, Williamson, & Pemberton, 2004). In the present study job satisfaction was defined as an individual's global feeling about his or her job (Spector, 1997). Dispositional characteristics incline people to a certain level of satisfaction (see Bowling, Beehr, Wagner, & Libkuman, 2005). Intrinsic nature of job performance and job satisfaction we anticipated a meditational framework:

Hypothesis 3: In a change setting job satisfaction will mediate the relationship between intent to remain and career future.

Hypothesis 4: In a change setting job performance will mediate the relationship between intent to remain and career future.

Managerial Communication—dual role

Another important factor in employees’ support for change which has gained importance in recent years is managerial communication, which is also predominantly important in the entire organizational change process (Armenakis & Harris, 2002; Lewis, 1999). It is generally defined in terms of a process through which companies basically prepare employees for change by stating and clarifying issues related to the change (Lewis, 1999). Communication helps employees to gain a better understanding for the need for change, as well as to have some insights on the personal effects which may be caused by the proposed change (Armenakis & Harris, 2002). The process perspective suggests that when employees receive adequate and suitable communication in a change context (i.e. appropriate justification for, and information about, the change and timely feedback), they will have more favorable attitudes toward the change which, in turn, should result in positive organizational outcomes.

As seen above managerial communication plays a very important role during organizational change and adversely affects an employee’s perceptions about job security and general feedback about their work. Given its importance we anticipated that managerial communication will have a dual effect—it will act as both a mediator and a moderator.

Hypothesis 5a: In a change setting managerial communication will mediate the relationship between intent to remain and career future.

Hypothesis 5b: In a change setting managerial communication will moderate the relationship between intent to remain and career future.

Affective Commitment to Change and Perceived Organizational Support

Commitment, in a broad sense, can be defined as “a force [mind set] that binds an individual to a course of action of relevance to one or more targets” (Meyer & Herscovitch, 2001). Conner and Patterson (1982) noted that “the most prevalent factor contributing to failed change projects is a lack of commitment by the people” (p. 18). Thus commitment to organizational change is unquestionably one of the most imperative factors involved in employees' support for change projects (Armenakis, Harris, & Feild, 1999; Coetsee, 1999;
Conner & Patterson, 1982; Klein & Sorra, 1996). Conner (1992) aptly described commitment to change as “the glue that provides the vital bond between people and change goals” (p. 147). Meyer and Allen (1991) argued that this force, or mind-set, can take different forms: desire (affective commitment), perceived cost (continuance commitment), or obligation (normative commitment). In the present study the affective form of commitment to change (desire to provide support for the change based on a belief in its inherent benefits) was used.

Blau (1964) viewed work as a form of social exchange that involved an undefined series of transactions which consequently obligates both parties involved in the social interaction. Thus effort and loyalty are traded for material and social rewards (e.g., Etzioni, 1961; Gould, 1979; Levinson, 1965; March & Simon, 1958; Mowday, Porter, & Steers (1982). Social identity theory proposed that employees “remain loyal when they feel that their organizations ... value and appreciate them” (Tyler, 1999, p. 235). Eisenberger, Huntington, Hutchinson, and Sowa (1986) suggested that employees' commitment to their organization is partially based on their perception of the organization's commitment to them. They conceptualized employees' perceptions of their organization's commitment as “perceived organizational support” (POS) and defined it as “global beliefs about the extent to which the organization cares about their well-being and values their contributions” (Eisenberger, Huntington, Hutchinson, & Sowa, 1986, p. 501). They further developed a measure for POS—Survey of Perceived Organizational Support. Its validity and reliability have been tested in several studies (Eisenberger, Fasolo, & Davis-LaMastro 1990; Eisenberger et al., 1986; Garstka, 1993; Hutchison & Garstka, 1996; Shore & Tetrick, 1991; Shore & Wayne, 1993). Moreover, Shore and Tetrick (1991) demonstrated that perceived organizational support and organizational commitment are distinct constructs. POS “may be used by employees as an indicator of the organization's benevolent or malevolent intent in the expression of exchange of employee effort for reward and recognition” (Lynch, Eisenberger, & Armeli, 1999, pp. 469-470). Studies have also shown that POS is related to intention to leave (reverse of intention to remain) the organization (Allen, Shore, & Griffeth, 2003; Wayne, Shore, & Liden, 1997).

The above discussion leads to the hypothesis of the potential mediating role of affective commitment to change and perceived organizational support.

Hypothesis 6: In a change setting affective commitment to change will mediate the relationship between intent to remain and career future.

Hypothesis 5b: In a change setting perceived organizational support will moderate the relationship between intent to remain and career future.

METHODOLOGY

Research Setting and Participants

Data for this study was collected from a non-profit organization located in the United States, having approximately 900 employees working in offices spread out throughout a southeastern state. This organization was chosen because it had recently experienced a major restructuring.

Data was collected via a self-report online survey. The survey administration process began by sending an email to all the employees with the consent of the management, inviting them...
to participate in the survey. The email was in the form of an information letter. It clearly stated that participation in the survey was voluntary and that the survey responses would be completely anonymous. It further informed the prospective respondent that no member of the management would have access to the data. One day prior to sending the email the on-line survey was posted on the organization’s intranet—thereby preventing the chance of a non-employee filling the survey. The survey consisted of close-ended questions. However, on the request of the management certain additional items (open-ended questions) not included in this study were also added with the sole aim of getting constructive feedback from its employees with respect to the restructuring. After three weeks another reminder email was sent to the employees. The on-line survey resulted in 275 usable questionnaires, which gave a decent response rate of 31.3%. A sizeable amount of respondents used in our analyses aged over 50 years (42.6%) while the lowest range was between 20-29 years (4.6%), and 60.6 percent of the respondents were women, 63.5% were Caucasian while 26.6% were African Americans. Table 1 provides a demographic profile of the respondents.

TABLE 1

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<thead>
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<th>Variable</th>
<th>N</th>
<th>%</th>
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<tr>
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<tr>
<td>Race</td>
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<td>African American</td>
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<tr>
<td>Asian</td>
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<td>.4</td>
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<tr>
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<tr>
<td>Age</td>
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<tr>
<td>20–29 years</td>
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<td>1–5 years</td>
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<td>&gt; 20 years</td>
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<td>Tenure (Job position)</td>
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<td>&lt; 1 year</td>
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<td>1–5 years</td>
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TABLE 1 Continued

Demographic Profile of Survey Respondents

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<td>Regional Extension Agent</td>
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<td>26.5</td>
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<tr>
<td>Regional Specialist</td>
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<td>4.7</td>
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<td>State Specialist/University</td>
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<td>Faculty</td>
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<tr>
<td>State-wide Administrators</td>
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<td>1.5</td>
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<tr>
<td>Administrative Staff</td>
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<td>17.1</td>
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<tr>
<td>Para-profession</td>
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<td>12.7</td>
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<tr>
<td>(Locally funded Agents &amp; Agent Assistants)</td>
<td>17</td>
<td>6.2</td>
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Note: N = 275

Measures

Career Future

Career future was measured by using a part of the Index of Organizational Reactions (IOR) scale developed by Dunham and Smith (1979). The IOR assesses satisfaction with supervision, financial rewards, kind of work, physical conditions, amount of work, company identification, co-workers, and career future. Five items related to career future was used which were obtained from Cook, Hepworth, Wall, and Warr (1981, pp. 42-45). Several studies have used this scale reporting coefficient alpha values which ranged from .82 to .83 (Lee & Johnson, 1991; McLain, 1995; Taylor, Tracy, Renard, Harrison, & Carroll, 1995). The present study reported a Cronbach’s alpha of .84.

Intent to Remain

Employee’s intent to remain with the organization was measured using a scale from Robinson (1996). This four-item scale asked employees to respond to three Likert-type questions about how long the employee intends to remain with the employer, the extent to which he/she would prefer to work for a different employer, the extent to which he/she has thought about changing companies, and one binary question (“If you had your way, would you be working for this employer three years from now?”). This scale had a modest reliability with Cronbach’s alpha measuring .88.

Proactive Personality.
PAP was measured by using the shortened version of Bateman and Crant's (1993) 17-item Proactive Personality Scale (PPS) created by Seibert, Crant, and Kraimer, (1999). The shortened version consists of 10 items which were selected as they had the highest average factor loadings across the three studies reported by Bateman and Crant (1993). These three studies presented evidence for the scale’s reliability (Cronbach’s alpha across three samples ranged from .87 to .89, and the test-retest reliability coefficient was .72 over a 3 month period) and convergent, discriminant, and criterion validity. Seibert et al (1999) mentioned that the deletion of 7 items did not result in a major effect on the reliability of the scale (17-item α = .88; 10-item α = .86). These items were summed to arrive at a proactive personality score. Responses were indicated on a seven-point Likert scale ranging from 1 (“strongly disagree”) to 7 (“strongly agree”), with such items as “I excel at identifying opportunities” and ”No matter what the odds, if I believe in something I will make it happen.” Internal consistency (coefficient alpha) obtained in the current study was .89, in line with that reported by Bateman and Crant (1993).

Job Performance

Job performance was measured by using a self-report scale consisting of two single items. The first item was coined by Ferris, Witt, and Hochwarter (2001) and measured the overall job performance of the employee aimed at serving as a self-appraisal. It read as follows: “Please circle the number beside the adjective which best describes your job performance in your opinion: 1 (weak or bottom 10%), 2 (fair or next 20%), 3 (good or next 40%), 4 (very good or next 20%), or 5 (best or top 10%).” Since a single-item measure cannot yield estimates of internal consistency reliability, one more similar item was used which also measured the overall job performance. The item was based on a 6-point Likert scale in which employees rated themselves and were asked the following: “Please circle the number beside the adjective which best describes your job performance in your opinion: 1 = Unacceptable, 2 = Very poor, 3 = Poor, 4 = Good, 5 = Very Good, 6 = Outstanding.”

The likelihood that any particular cognition will be retrieved as an input to some decision or behavior decreases with an increase in the amount of time since its most recent activation (Wyer & Srull, 1986) and the amount of material in the same content domain encountered during that temporary period (Keller, 1987). This suggests that intervening items between two similar items will increase the likelihood of the respondent to either compute a new response or engage in an effortful search of long-term memory. Hence in the survey instrument the two overall job performance items were separated by several items as well as open ended questions. Reliability of this scale was within acceptable range (Cronbach’s alpha = .78).

Job Satisfaction

Job satisfaction was measured by using four sub-scales of the Job Satisfaction Survey (JSS; Spector, 1997). JSS measures “outcome” satisfaction facets such as pay, benefits, promotions, supervision, work itself, co-workers, and working conditions (Spector, 1997). Four sub-scales of the JSS (benefits, rewards, co-workers and work itself) were used in this study with each subscale consisting of four items. Respondents indicated the extent of their agreement with each item on a 7-point Likert-type scale (1 = strongly agree, 7 = strongly disagree). Cronbach’s alpha measured for the four sub-scales were benefit satisfaction (α =
.79), reward satisfaction ($\alpha = .84$), co-worker satisfaction ($\alpha = .72$) and work itself satisfaction ($\alpha = .83$).

**Managerial Communication**

Managerial communication was measured by using a subscale of the Communication Satisfaction Questionnaire (CSQ) (Downs & Hazen, 1977). The CSQ is a 40-item instrument that has demonstrated a high degree of validity and reliability across a number of organizations, and in multiple contexts (Clampitt & Downs, 2004). Although several factors are identified by Downs and Hazen (1977) as indicators of overall communication satisfaction in the workplace, the focus of the present study was specifically related to the dimension that assesses employees’ satisfaction with communication with their immediate supervisor or manager. Specifically this dimension is identified as personal feedback in the original instrument. It assesses how satisfied employees are with information they receive about their job, recognition of their efforts, and how well supervisors understand problems faced by employees. A 7-point Likert response format (ranging from 1 = very dissatisfied to 7 = very satisfied) was used to measure employees’ satisfaction to the five items. Previous studies that have assessed the internal consistency of the individual dimensions of the CSQ have reported coefficient alphas of .80 (Pincus, 1986) and .84 (Crino & White, 1981) for the personal feedback dimension. A more recent study examining the psychometric properties of the CSQ (Gray & Laidlaw, 2004) reported a coefficient alpha of .86 for the personal feedback dimension. The reliability found in the present study was in tune with these studies as Cronbach’s alpha was .90.

**Affective Commitment to Change**

This variable was measured using a sub-scale of the scale developed by Herscovitch and Meyer (2002) to measure commitment to change. The scale consisted of 22 items of which seven items assessed affective commitment (e.g., “I believe in the value of this change”) which was used in this study. Responses were made using a 7-point Likert-type scale ranging from 1 (strongly disagree) to 7 (strongly agree). This scale exhibited strong reliability with Cronbach’s alpha measuring .95.

**Perceived Organizational Support**

Perception of organizational support was measured using the nine-item short version of the Survey of Perceptions of Organizational Support (Eisenberger, Fasolo, & Davis-LaMastro, 1990). Items (e.g., “My organization really cares about my well-being”) were presented on a 5-point Likert-type scale, ranging from 1 (strongly disagree) to 5 (strongly agree). Higher scores reflect more favorable perceptions of support. The scale had high reliability as Cronbach’s alpha = .91.

**Demographic data.**

The survey also included items inquiring about the subjects’ age, gender, ethnicity, and job tenure. Gender was dummy coded 0 for female subjects and 1 for male subjects. (See Table 1 for a summary of the measures).
DATA ANALYSIS

Analysis

In the present study the data was analyzed by using hierarchical linear regression. To test for mediation Barron and Kenny (1986) suggested a three-step procedure: 1) the mediator was regressed on the independent variable, 2) the dependent variable was regressed on the independent variable, and finally 3) the dependent variable was regressed on both the independent variable and on the mediator. However, to test for complete mediation the independent variable needs to be controlled in the third step. Hence a simple regression was performed for step one, but for steps two and three a hierarchical linear regression was employed. A formal test of the significance of mediation was provided by the Sobel test (1982) (see MacKinnon, Warsi, & Dwyer, 1995).

To test the moderation hypothesis the first step in the moderated multiple regression was to create an interaction term—simply multiply the predictor and moderator variable. However, this may cause multicollinearity (i.e. high correlations) because predictor and moderator variables generally are highly correlated with the interaction term. Centering (putting the scores into deviation score form by simply subtracting the sample mean from all the individuals’ scores on the variable, thus producing a revised sample mean of zero) the variables reduces the multicollinearity problem (see Cohen, Cohen, West, & Aiken, 2003).

The predictor and the moderator main effects were entered into regression equation first which was done in a hierarchical fashion (Cohen & Cohen, 1983). This was followed by entering the interaction term (Holmbeck, 1997). A significant interaction term would confirm the moderator effect exists following which we would compute predicted values of the dependent variable for representative groups, at the mean and 1 standard deviation above and below the mean on the predictor and moderator variables (Aiken & West, 1991; Holmbeck, 1997). These values were then used to generate a figure summarizing the form of the moderator effect (Frazier, Tix, & Barron, 2004). Finally, we tested the statistical significance of the slopes of the simple regression lines between the predictor and the dependent variable for specific values of the moderator variable (Aiken & West, 1991).

RESULTS

Descriptive statistics

Table 2 displays means, standard deviations and correlations among all the variables. Correlations among the independent and mediator variables had a median value of .19 and a maximum value of .33, with a maximum variance-inflation factor less than 2; hence, multicollinearity was not a severe problem that would preclude interpretation of the regression analyses (Neter, Wasserman, & Kutner, 1983). Intent to remain was significantly and positively related to career future ($r = .39, p = .001$). Given the proposed mediational framework all the four factors—affective commitment to change ($r = .41, p = .01$); managerial communication ($r = .65, p = .01$); job performance ($r = .21, p = .01$); and job satisfaction ($r = .59, p = .01$) were significantly correlated with career future.
Descriptive Statistics and Zero-Order Correlations among Variables

<table>
<thead>
<tr>
<th>Variables</th>
<th>M</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Career Future</td>
<td>3.62</td>
<td>.81</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intent to Remain</td>
<td>5.39</td>
<td>1.25</td>
<td>.39**</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proactive Personality</td>
<td>5.48</td>
<td>.81</td>
<td>.21**</td>
<td>.13*</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job Satisfaction</td>
<td>5.75</td>
<td>1.01</td>
<td>.59**</td>
<td>.63**</td>
<td>.22**</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job Performance</td>
<td>3.32</td>
<td>.95</td>
<td>.20**</td>
<td>.20**</td>
<td>.33**</td>
<td>.22**</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Managerial Communication</td>
<td>4.28</td>
<td>1.25</td>
<td>.65**</td>
<td>.31**</td>
<td>.19**</td>
<td>.56**</td>
<td>.05</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Affective Commitment to Change</td>
<td>5.01</td>
<td>1.40</td>
<td>.41**</td>
<td>.17**</td>
<td>.18**</td>
<td>.43**</td>
<td>.09</td>
<td>.43**</td>
<td>-</td>
</tr>
<tr>
<td>Perceived Organizational Support</td>
<td>4.67</td>
<td>1.26</td>
<td>.61**</td>
<td>.38**</td>
<td>.11</td>
<td>.60**</td>
<td>.03</td>
<td>.65**</td>
<td>.48**</td>
</tr>
</tbody>
</table>

Note. N = 275; *p < .01.

Hypotheses Testing

For testing hypothesis 1, we ran a simple regression and found a robust significant relationship between intent to remain with the organization and career future (β = .38, p = .001; R²Δ = .14, p = .00).

For testing the meditational hypotheses which suggested the mediating role, in the relationship between intent to remain and career future, we first regressed intent to remain on the mediator. This was followed by a two-step hierarchical linear regression (see Table 3). In step one, intent to remain was regressed on career future, followed by step two wherein intent to remain was controlled and the mediator was introduced. Finally we calculated the Sobel’s test (Preacher & Leonardelli, 2001). Formula for the test was drawn from MacKinnon, Warsi, and Dwyer (1995). Table 3 summarizes the results of the regression analyses.

TABLE 3

Summary of Hierarchical Regression Analyses: Mediation effect of Job Satisfaction in the relationship between Intent to Remain and Career Future

<table>
<thead>
<tr>
<th>Regression</th>
<th>β</th>
<th>Δ R²</th>
<th>z</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>1a Intent to remain</td>
<td>.63***</td>
<td>.40***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2b Step 1 Intent to remain</td>
<td>.39***</td>
<td>.15***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2b Step 2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
As shown in Table 3, the regression coefficient for job satisfaction was significant in contributing to career future when intent to remain was controlled indicating the mediating role of job satisfaction ($\beta = .38, p = .001; R^2\Delta = .14, p = .00$). The statistical significance of intent to remain became insignificant in step 2, which suggested that job satisfaction completely mediated the relationship between intent to remain and career future. The Sobel test (1992) revealed significant evidence of mediation by career future, $z = 2.81, p = .004$. We did not find support for the meditational role of job performance, managerial communication, affective commitment to change and perceived organizational support.

For the moderational framework we found support for the moderating role of proactive personality and managerial communication.

### TABLE 4

Summary of Regression Analyses: Moderation effect of Proactive Personality in the relationship between Intent to Remain and Career Future

<table>
<thead>
<tr>
<th>Step 1</th>
<th>$\beta$</th>
<th>$\Delta R^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intent to Remain</td>
<td>.37***</td>
<td>.18***</td>
</tr>
<tr>
<td>Proactive Personality</td>
<td>.17**</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Step 2</th>
<th>$\beta$</th>
<th>$\Delta R^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intent to Remain</td>
<td>.36***</td>
<td>.03**</td>
</tr>
<tr>
<td>Proactive Personality</td>
<td>.18***</td>
<td></td>
</tr>
<tr>
<td>Intent to Remain X Proactive Personality</td>
<td>.17**</td>
<td></td>
</tr>
</tbody>
</table>

Dependent variable is Career Future

*Note. N = 275, **$p < .01$, ***$p < .001$.*

### TABLE 5

Regression Slopes Depicting the Association between Intent to Remain and Career Future at different levels of Proactive Personality

<table>
<thead>
<tr>
<th>Interaction</th>
<th>Slopes</th>
<th>SE</th>
<th>$t$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intent to Remain X Proactive Personality</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>1.09***</td>
<td>.30</td>
<td>3.59</td>
</tr>
<tr>
<td>Mean</td>
<td>.98***</td>
<td>.26</td>
<td>3.66</td>
</tr>
<tr>
<td>Low</td>
<td>.87***</td>
<td>.23</td>
<td>3.74</td>
</tr>
</tbody>
</table>

*Note. N = 275; ***$p < .001$.*
Summary of Regression Analyses: Moderation effect of Managerial Communication in the relationship between Intent to Remain and Career Future

<table>
<thead>
<tr>
<th>Step 1</th>
<th>β</th>
<th>Δ R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intent to Remain</td>
<td>.21***</td>
<td></td>
</tr>
<tr>
<td>Managerial Communication</td>
<td>.58***</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Step 2</th>
<th>β</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intent to Remain</td>
<td>.18***</td>
</tr>
<tr>
<td>Managerial Communication</td>
<td>.57***</td>
</tr>
<tr>
<td>Intent to Remain X Managerial Communication</td>
<td>-.10*</td>
</tr>
</tbody>
</table>

Dependent variable is Career Future

Note. N = 275, *p < .05, ***p < .001.

TABLE 7

Regression Slopes Depicting the Association between Intent to Remain and Career Future at different levels of Managerial Communication

<table>
<thead>
<tr>
<th>Interaction</th>
<th>Slopes</th>
<th>SE</th>
<th>t</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intent to Remain X Managerial Communication</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>-.13***</td>
<td>-4.11</td>
<td>-.69</td>
</tr>
<tr>
<td>Mean</td>
<td>-.07*</td>
<td>-2.33</td>
<td>.92</td>
</tr>
<tr>
<td>Low</td>
<td>-.02</td>
<td>-.55</td>
<td>1.91</td>
</tr>
</tbody>
</table>

Note. N = 275, *p < .05, ***p < .001

FIGURE 1

Moderation effect of Proactive Personality in the relationship between Intent to Remain and Career Future
**DISCUSSION**

The present study was an initial attempt to study to study the effect of intent to remain on career future. Furthermore the study aimed at delineating the process/mechanism through which intent to remain affects career future through proactive personality, job satisfaction, job performance, affective commitment to change, managerial communication and perceived organizational support. We found that at proactive personality and managerial communication interact with intent to remain and affect an employee’s career future. We also found that job satisfaction completely mediates the relationship between intent to remain and career future. This study adds to both the field of proactive personality and career as well as organizational change as it is an initial attempt to study proactive personality in the backdrop of change.

**Practical implications**

The above findings have several practical implications especially from an applied perspective, this type of research is important as it gives more insight on how organizations can recognize and leverage from those exhibiting proactive personality. Hence companies need to invest in them even more if they want their organizational change process to be more effective and smooth. There is hardly any doubt in the fact that proactive people are an asset to the company, however it is up to the company to make sure that they do not lose such an asset. It
is important for them to be convinced that their career has a future in the company. There is a possibility that in the event of job insecurity and less scope for success proactive personality employees might seek brighter pastures. Thus it is of vital importance that employers should make sure that their proactive employees are assured that they will progress in their career within the organization. Our results have shown that proactive individuals’ affective commitment to change and managerial communication affects their belief in their career growth. It is therefore vital that organizations provided employees with as much information about the change and encourage a two way communication. Additionally, they should be provided with performance feedback and discuss their job satisfaction to assure they are satisfied with their job and their work performance.

**Limitations of the study**

Data for this study was collected anonymously. Although limiting any inference of causality among the study variables, protecting respondents’ anonymity provided benefits by potentially reducing the method bias (see P. M. Podsakoff, MacKenzie, Lee, & N. P. Podsakoff, 2003). This is a particularly important aspect in the present study as it related to organizational change which is often characterized by high levels of distrust and uncertainty and which may lead to biased responses if participants believe their identity could be revealed to management. This, in turn, may result in a less of internal validity if respondents are hesitant to provide honest responses to the survey questions for fear of repercussion (Green & Feild, 1976).

Data was collected from a single organization even though a limitation but conducting the study in one organization helped avoid impending confounding factors, such as type of industry, resources, and markets (Pritchard et al, 1988; Mukherjee, Lapre’, & Wassenhove, 1998).

Another limitation was related to common method variance as the data were collected from a single source. P. M. Podsakoff, MacKenzie, Lee, and N. P. Podsakoff (2003) mentioned that one of the most common variables assumed to cause common method variance is the tendency for participants to respond in a socially desirable manner. They argue that respondents may have less evaluation apprehension and therefore are less likely to edit their responses to be more socially desirable when anonymity is assured. In the present study the responses were completely anonymous thereby protecting the respondent’s identity. Although this does not completely eradicate the problem of common method bias but it does alleviate it. This is a particularly important aspect in the present study since organizational change environment are often characterized by high levels of distrust and uncertainty (Buono & Bowditch, 1989), which may lead to biased responses if participants believe their identity, could be revealed to management. This, in turn, may result in a less of internal validity if respondents are hesitant to provide honest responses to the survey questions for fear of repercussion (Green & Feild, 1976).

Also inflated correlations between the independent and the dependent reduce power to detect interactions (Evans, 1985) and this was not a problem as we had two significant interactions in the study. Brockner, Siegel, Daly, Tyler, and Martin (1997) noted that if common method variance explains significant relationships, there is no rationale why there should be a significant relationship at one level but not on another.
Future Research

Following are some ideas for future research. Careers may be subjective—the individual’s internal apprehension and evaluation of his or her career, across any dimensions that are important to that individual; or objective—individual’s external perspective that describe more or less tangible indicators of the individual’s career situation (Van Maanen, 1977, p. 9). Future study could replicate this study by measuring career future both subjectively and objectively.

This study could also be replicated by comparing data across cultures example U. S. and Japan as Japanese employees exhibit higher work centrality, and give greater importance to job security and stability than do employees in the U.S. (England & Misumi 1986; Lundberg & Peterson 1994).

Further it would be interesting to observe how the results of this study vary across demographic variables especially age. Although in the present study we collected data for age we hardly had any variation in the age as a major portion of the respondents were either above 40 or 50 years. Age plays an important role as seen in the organizational change literature with older workers being more resistant to changes in job changes since they are worried that they may have to start afresh especially if there is no significant value for their job experience of past working skills (Campbell & Cellini 1981; Hansson et al. 1997). Another important demographic variable is workforce diversity as careers have changed with increased workforce diversity (England & Farkas 1986; England, Reid, & Kilbourne 1996; Johnston & Packer 1987).

Finally the effect of organizational change is better captured by longitudinal data. It would be interesting to observe if the present results would differ in a longitudinal study.

REFERENCES


INVESTIGATING THE EFFECTS OF HUMAN RESOURCE FLEXIBILITY ON FIRM’S PERFORMANCE: THE DETERMINANT ROLE OF HUMAN RESOURCE PRACTICE FLEXIBILITY
Bainan Zhang, University of North Texas, bainan.zhang@unt.edu

ABSTRACT
Previous literature has theoretically and empirically found that human resource (HR) flexibility can positively impact firm’s performance. HR flexibility has three components, HR practice flexibility, employee skill flexibility and employee behavior flexibility. However, the interrelationship between the three components and the function of each component within the whole HR flexibility framework are not theoretically examined. Based upon strategy human resource management (SHRM) literature and the concepts of resource and coordination flexibility, the author proposed that HR practice flexibility determines the flexibility in employee skill and behavior. Besides, the author also proposed that the impact of HR flexibility on firm’s performance is determined by how flexibility employee’s skill and behavior are.

INTRODUCTION
Flexibility is an important method for organizations to survive in uncertain environment. It helps firms to meet dynamic market demands in a timely manner (Milliman, Von Glinow, & Nathan, 1991; Sanchez, 1997). According to Upton (1995), the reason why flexibility is so elusive is that firms have failed to take into account the role of people, focusing primarily on technology. Thus, he concluded that flexibility depended much more on people than on any technical factor. In other words based upon the argument of Upton, if employees are flexible enough to deal with any new requirements or changes occurring in their working environments, organizations will have more chances to survive in turbulent environments. Milliman et al. (1991) argued that human resource management system must be able to adjust to the varied environment through designing a flexible system and ensure that employees are equipped with appropriate skills and behaviors to continually adapt to the environment.

Flexibility is the ability of a firm to respond to various demands from its dynamic competitive environment (Sanchez, 1995). Being viewed as a critical organizational capability, flexibility enables a firm to adapt to diverse and changing requirements from the external environment (Snow and Snell 1993; Wright and Boswell 2002) and to achieve and maintain competitive advantage and superior performance (Sanchez 1995; Hitt, Keats and DeMarie, 1998). The necessity and benefit of firms having flexibility in human resources (HR), which is the adaptability of employee attributes such as knowledge, skill, and behaviors, as well as of HR practices to changing environment condition, has been a topic of discussion among scholars (Bhattacharya, Gibson, & Doty, 2005; Lengnick-Hall & Lengnick-Hall, 1988; MacDuffie, 1995; Ngo & Loi, 2008; Wright and Snell, 1998; Milliman, Von Glinow, & Nathan, 1991). This is especially true in business environment characterized as rapid economic changes and shifting strategic demands (Hitt, Keats, & DeMarie, 1998). HR flexibility, as one of important aspects of organizational flexibility (Ngo and Loi, 2008), can be conceived as the extent to which the firm’s human resource possess skill repertoires that can give a firm options to pursuing strategic alternatives in firm’s competitive environment (Wright & Snell, 1998). Wright and Snell (1998) proposed that HR flexibility is composed of three subdimensions: employee skill flexibility, employee behavioral flexibility, and HR practice flexibility.
In recent literature, several empirical researches have found that HR flexibility can contribute to firm’s performance from different perspectives (Beltrán-Martín, Roca-Puig, Escrig-Tena & Bou-Llusar, 2008; Lepak, Takeuchi, & Snell, 2003; Ngo & Loi, 2008; Bhattacharya et al., 2005). Besides, most of these studies examined such positive relationships based upon resource-based view. According to this perspective, HR flexibility is a kind of valuable, firm specific and inimitable capability. Therefore, HR flexibility is a source of firm’s sustainable competitive advantage (Bhattacharya et al., 2005). It is worth noting that current empirical studies, such as those mentioned above, always looked HR flexibility as a whole in the process of building relationship with firm’s performance.

Few literatures have particularly examined how flexibility in HR practices, as an important component in HR flexibility; contribute to the whole system of HR flexibility which is a firm level’s flexibility. Besides, the relationship between skill flexibility and behavior flexibility need further examination due to ambiguous illustration of Wright and Snell (1998) and continuing ignorance by subsequent researchers. This research will examine these weaker points in literature and plan to explore functions and roles which HR practices play in the system of HR flexibility. Especially, this research will examine whether the flexibility of HR practice will influence flexibility of other two factors and finally influence the flexibility of the whole HR system.

**LITERATURE REVIEW**

**Human Resource Flexibility**

The RBV of the firm is a valid framework in the HRM field (Wright et al., 1994). Based upon this theory viewpoint, HR flexibility can be viewed as an internal trait or characteristic of a firm because HR flexibility refers to the extent to which employees possess skills and behavioral repertoires that can provide a firm with options to pursue strategic alternatives (Wright and Snell, 1998). First proposed by Wright and Snell (1998) and then empirically examined by Bhattacharya et al. (2005) and Ngo & Loi (2008), HR flexibility can be defined through three dimensions or components (Wright and Snell, 1998).

1. **Employee skill flexibility** refers to the ‘number of potential alternative uses to which employee skills can be applied’ and ‘how individuals with different skills can be redeployed quickly’ (Wright and Snell, 1998: 764–765). This means that, if employees of a firm possess a broad variety of skills and they can perform different job duties upon request, the firm is said to have a high degree of employee skill flexibility. Adopting are source-based view, Bhattacharya et al. (2005) mentioned that this type of flexibility could be a source of competitive advantage for firms, since these broad-based skills are valuable and difficult to imitate or replicate.

2. **Employee behavior flexibility** refers to the extent to which employees possess a broad repertoire of behavioral scripts that can be adapted to situation-specific demands. If employees are able to apply these behavioral scripts appropriately under various conditions, rather than follow standard operating procedures, it helps the firm to adjust and respond to the changing situations and thereby increase its competitiveness (Wright and Snell, 1998:765–766).

3. **HR practice flexibility** can refer to the extent to which the basic practices lend themselves to application across different jobs or different sites, or the speed with which
practices can be changed. HRM practices can be described in terms of both resource and coordination flexibility (Wright and Snell, 1998:761–762). Bhattacharya et al. (2005) further argued that firms that possess this type of flexibility not only could achieve strategic consistency across different units and enhancing responsiveness to environmental changes, but also build a capability that is difficult to imitate and non-substitutable.

This model also applied the thought of Sanchez’s (1995) concepts of resource and coordination flexibility into the three components of HR flexibility. According to Sanchez (1995), strategy flexibility depends jointly on the inherent flexibilities of the resource available to the firm and on the firm’s flexibility in applying those resources to alternative course of action. Resource flexibility refers to whether there is a larger range of alternative uses to which a resource can be used and whether the cost and time of switching to an alternative resource is low. Coordination flexibility refers to the flexibilities in configuring chains of resources and redeploying resources effectively.

In Wright and Snell’s model (1998), employee’s skill and behavior flexibility both contain resource flexibility and coordination flexibility. Resource flexibility in employee skills refers to the number of potential employee’s skills which could be alternatively applied to firm’s production and operation needs (Snell and Dean, 1992). Coordination flexibility in employee’s skills refers to how individuals with different skills can be redeployed quickly in the value chain. The resource flexibility in behaviors refers to how many different behavioral repertoires employees could possess for different situations. Coordination flexibility in behaviors refers to how employees who possess a variety of behavioral scripts could apply them in appropriate situations. As to Wright and Snell (1998), higher coordination flexibility in employee’s behaviors increases the likelihood of the firm identifying new competitive situations and responding appropriately.

HRM system can affect firm profitability through improved labor productivity, through greater cost efficiency, and by adding value through human assets (Becker & Gerhart, 1996; Becker & Huselid, 1998). These authors also suggest that effective HR systems could lead to acquiring, motivating, and developing intellectual assets that can be a source of competitive advantage. These claims highlighted HRM’s value-adding role. Bhattacharya et al. (2005) empirically examined the relationship between HR flexibility and firm’s financial performance (firm’s productivity, profitability and cost-efficiency). They found that all the 3 components of HR flexibility are positively related to firm’s financial performance. Ngo and Loi (2008) asserted that HR flexibility fulfills all the conditions set by Barney (1991) as a source of firm’s sustainable competitive advantage which should drive high firm performance. Beltrán-Martín et.al (2008) found that HR flexibility could positively influence a broader range of firm’s performance rather than single financial performance such as increasing consumer satisfaction and consumer retention. Youndt and Snell (2004) ever argued that HR flexibility could help firm develop new process of innovation by encouraging member to think new idea and give positive feedback to organization.

Parallel to the HR flexibility model proposed by Wright and Snell (1998), there is another vein research about HR flexibility with a different name, labor flexibility. Labor flexibility can be categorized into two aspects, functional flexibility or internal flexibility and numerical flexibility or external flexibility (Atkinson, 1984; Kalleberg, 2001; Valverde et.al, 2000). According to Roca-Puig, Beltrán-Martín, Bou-Llusar & Escrig-Tena (2008), functional
flexibility is firm’s internal labor flexibility with focus on ease with which people can move between tasks and jobs in the organization. It is the effort made by the firm to incorporate and develop workers’ competences and skills, so that workers can be assigned to other jobs or departments within the firm. This description of functional flexibility is similar to what other researcher’s explanation (e.g., Beltrán-Martín et.al, 2009; Valverde et.al, 2001; Van den Berg and van der Velde, 2005).

Roca-Puig et.al (2008) noted that firms could adopt various human resource management practices in order to improve internal flexibility. The author especially emphasized the importance of training and selection to achieve functional flexibility by recruiting highly-educated people and intensive training with different skills and abilities. The author also proposed that numerical flexibility (external flexibility) can be also achieved by related HR practices such as contingent worker, hourly-wages and short-term contract. However, the result of Roca-Puig et.al (2008) showed that functional flexibility and numerical flexibility is substitutable and they cannot simultaneously positively relate to firm’s performance. This result is consistent to the finding of Cappelli and Neumark (2004) that employer can only choose one of them for their human resource police.

Beltrán-Martín et.al (2008) established a mixture model of HR flexibility, which included functional flexibility (Atkinson, 1984; Kalleberg, 2001; Van den Berg and van der Velde, 2005), skill malleability (Maurer, Wrenn, Pierce, Tross, & Collins, 2003) and behavior flexibility (Wright and Snell, 1998). However, this model does not contain HR practice flexibility. The authors argued that high performance work systems (HPWS) could increase the HR flexibility they proposed. High performance work systems (HPWS) can contribute to firm’s performance (e.g., Arthur, 1992, 1994; Delaney & Huselid, 1996). Beltrán-Martín et.al (2008) here defined HPWS with four components, training, staffing, appraisal and rewards. The authors proposed that training and staffing could broaden employee’s skill and competence of conceiving alternative method of doing the job. Developmental appraisal could encourage employee participate into decision-making and broaden employee’s working role. Equitable rewards will also directly link employee’s performance to their competence, which elicit employee’s discretionary behavior and initiatives.

The empirical test of Beltran-Martín et.al (2008) made a leap that they first tested HR flexibility (functional flexibility, skill malleability, and behavior flexibility) is the mediator be HR practices (HPWS) and firm performance. If the three components of HR flexibility proposed by Beltran-Martín et.al (2008) are examined under the lens of Wright and Snell’s HR flexibility model (1998), they are only rest on “resource flexibility” level. This is because the authors defined functional flexibility as “employee’s ability to accomplish diverse task”, skill flexibility as “how easily employee can learn new skill and ability”, behavior flexibility as “showing a variety of behavior repertoire in different circumstance.” These three definitions do not reflect any factors belonging to coordination flexibility, which highlight the speed and efficiency of redeploying and reconfiguring such ability, skill and behaviors. On the other hand, the authors did not figure out whether a bundle of more flexible HR practices contingent on firm’s strategy could impact more on the “HR flexibility” in their model. That is to say, if the HR practices are not flexibly implemented, how do these HR practices effectively influence functional, skill and behavior flexibility?
The study of Beltrán-Martín, Roca-Puig, Escrig-Tena & Bou-Llusar (2009) is a total summary of Wright and Snell’s HR flexibility model (1998), the measurement of Wright and Snell’s model by Bhattacharya et.al (2005) and functional flexibility (Van den Berg and van der Velde, 2005). The authors established a new model with name internal labor flexibility, which includes intrinsic labor flexibility (equal to functional flexibility), skill and behavior flexibility and relational flexibility. The authors first examined these flexibilities under the lens of Sanchez’s strategy flexibility (1995, 1997) and RBV view. However, the author admitted that their model is only at a certain point of time without dynamic concern; this is because their model only assimilates the resource flexibility of Sanchez’s strategy flexibility model without incorporating coordination flexibility. Therefore, the author proposed in their future research plan to incorporate the ideal of Wright and Snell’s “coordination flexibility” into their model.

Careful examining each component of internal labor flexibility, intrinsic labor flexibility is defined as employee can work on different task under diverse circumstance, which is similar to the first aspect of Wright and Snell’s resource flexibility in employee’s skills. Wright and Snell defined resource flexibility in skills as two aspects. One is “employee who possesses broad sets of skill enabling them to accomplish a large number of diverse tasks” (1998:764). The second aspect is “employee develops broader skills for future use” (1998:764). This is same as the skill flexibility component in intrinsic labor flexibility, where it is defined as “employees obtain new skills and abilities with anticipation of future skill requirement” (Beltrán-Martín et.al, 2009: 1582). Therefore, the model of Wright and Snell (1998) could cover most of the components proposed by Beltrán-Martín et.al in 2009. Moreover, the skill flexibility in Wright and Snell’s model also cover the idea that firm could flexibly choose between developing internal employee with broader skills or hiring contingent workers with narrower skills set externally for temporary projects. This flexibility which is able to cover externality and internality within Wright’s model has been excluded by Beltrán-Martín et.al because their model is only based upon internal employee.

The internal labor flexibility model of Beltrán-Martín et.al (2009) did not mention the impact of HR practices on such a system, which is a big difference from Wright’s model. Beltrán-Martín et.al (2009) put “analyzing the antecedent of internal labor flexibility” into their future research plan, which implied that further examining the determinant of HR flexibility would be necessary. The model of Wright and Snell (1998) is different from the model of Beltrán-Martín et.al (2009) but seems to contain more “flexibility” and “dynamic” factors. Until then, there is still no particular research figuring out the determinants of HR flexibility and how each of its component interact together to achieve such flexibility. This will be the core issue discussed in the subsequent part of this study.

The Inner-Mechanism of Human Resource Flexibility

Most researchers only regarded HR practice flexibility, skill flexibility and behavior flexibility as 3 parallel components in HR flexibility. Bhattacharya et.al (2005) found that the three flexibilities separately contribute to firm’s financial performance. Until then, only Wright and Snell (1998) illustrate the inter-relationship between the three components within HR flexibility, “HRM practice can vary in terms of their own flexibility and can play an influential role in determining the flexibility or inflexibility of the skills and behaviors of employees.” (1998: 761) However, subsequent researches seemed to ignore this relationship
and deeper theoretical and empirical researches related to such relationship are rare. Therefore, a systematical understanding of the inter-mechanism between HR flexibility’s each component will better explain why HR flexibility could contribute to firm’s performance.

A fundamental factor of achieving skill and behavior flexibility is first through achieving resource flexibility in skills and behaviors. Skill flexibility highlights that employee should possess broader skill sets so they can get the abilities to work in different capacities and situations. Behavior flexibility highlights that employee should possess a broader repertoire of behavioral scripts which can be adapted to situation-specific demands. This elicits a fundamental question, how can employee get such flexible skills and behaviors? Wright and Snell (1998: 767) proposed that HR practices can promote flexibility within a firm through developing a wide range of employee skills and behavior repertoires.

In HR flexibility literature, specific discussion about the determinants of skill and behavior is rare. Related literatures which lend evidences to such relationship, however, are affluent within SHRM literature (none-flexibility vein). Wright and McMahan (1992) proposed a conceptual model of strategic human resource management. HRM practices is the central crux in this model where it is first influenced and determined by firm’s strategy and simultaneously determine human resource capital pool (skill and abilities) and human resource behaviors. Human resource behavior in this model is also determined by skills and abilities, therefore such behaviors determine firm level outcome such as financial performance. Wright and McMahan (1992) also cited the behavioral perspective of SHRM developed by Schuler and Jackson (1987). In the model of Schuler and Jackson (1987), business strategy determines what kinds of employee’s role behavior are required and HR practices develop such role behaviors according to business strategy’s need. Another example of behavior perspective is from Miles and Snow’s (1984) description of different types of behavior necessary for strategy, where the authors assumed that HR practices should vary among different strategy types to elicit accorded different behaviors and skills which are necessary to carry out the strategy.

Wright, McCormick, Sherman & McMahan (1999) empirically examined the influence of human resource practices on employee’s skill, behavior and performance with sample from refinery industry. They argued that selection practice could help firm identify individual with potential skills and abilities. Training practice could increase and maintain each individual’ job-related skills and provide opportunities for individuals who broaden their skill base. Programs such as training and appraisals may motivate employees to engage in discretionary behaviors which contribute to the achievement of the firm’s goals and socialize employees into firm’s culture and norms. The influential effects of HR practices on discretionary behaviors are consistent to what McDuffie (1995) argued that employee’s discretionary behaviors (e.g. activities, decision-making, etc.) could provide value to the firms. This is also consistent with Wright and Snell’s argument that “the key to attaining behavioral flexibility is enlarging and eliciting the range of discretionary behaviors that result in positive organizational outcomes.” (1998: 766)

Wright et.al (2001) further explained the model of HRM component within the RBV view. The authors here gave HR practices a new name “people management practices”, which included 8 factors such as staffing, training, rewards, appraisal and some new elements such
as participating and communication. Other researchers such as Becker and Huselid (1998) provided an even detailed model to date; their model suggested that business strategies drive the design of the HR system. The HR system directly impacts employee skills and motivation and the structure and design of work. These factors influence employee behavior, which translates into improved operating performance. This drives profits and growth, and the final consequence is market value.

Although the models illustrated above do not take flexibility into consideration, they can still effectively support flexibility in HR practices as a determinant on skill flexibility and behaviors flexibility. According to HR practices, flexibility refers to the extent to which such practices could be applied across different situations and how quickly such practices can be redeployed and re-synthesized. More specific, the flexibility in HR practice required that the components of HR practices such as selection, training and appraisal should be applied generally across the whole situations within the firm with fast speed. Therefore, a broad spectrum of skills, abilities and novel behavior scripts can be developed and elicited by related HR practices across all the possible working tasks and working situations according to firm’s dynamic and changing business strategy. Employees who possess such broader range of skills, behavior scripts are more able to perform in non-routine circumstances demanding creativity and initiative (Huang and Cullen, 2001).

Wright and Snell (1998) mentioned that HR practices can positively influence behavior resource flexibility through broader job descriptions and flexible operating procedures. The author especially emphasized that job rotation is a very effective way for employee to face new task requirement and situations, which can broaden behavior repertoire. In fact, resource behavior flexibility is related to employee’s motivation to a large extent. This is just what McDuffie noted as “motivation to exhibit discretionary efforts.” According to the empirical study of Wright et al. (1999), training and performance-based compensation as two HR practices elements could play the role of motivating employees to engage in discretionary behavior that contributes to achieving firm’s goals. Schuler (1992) noted that specific HR practices which are contingent on business strategy could motivate employee to exhibit needed role behaviors. Based upon these arguments from literature, it can be summarized that the flexibility-oriented HR practices (e.g. training and appraisal) can elicit employee’s behavior flexibility through exhibiting motivation and discretionary behaviors for different working situations and task environments. It has to be mentioned that, as what Wright and Snell stated (1998: 766), a bundle of inflexible HR practices would decrease the resource flexibility in behaviors and this is also valid for skill resource flexibility. This argument also implied that there is big difference between HR practice flexibility’s influence and HPWS’s influence on skills and behaviors (Beltrán-Martín et.al 2008). HPWS in Beltrán-Martín et.al (2008) is not defined as a bundle of practices which could be consistently applied to each situation and task of firm across different time with fast speed. It is possible that the flexibility achieved by HPWS might be only at a static time and situation phrase without further flexibility across different situations and periods. Therefore, a proposition can be provided as below.

**Proposition 1.** Flexibility-oriented HR practices significantly influence of resource flexibility in employee’s skill and behavior; the higher the flexibility in HR practices which can be matched to each situation and task within a firm, the higher the resource flexibility will be in skills and behaviors.

**The role of coordination flexibility in employees’ skills and behaviors**
According to Wright and Snell (1998), coordination flexibility in skills and behaviors refer to how human resource (e.g., employees) with broad range of different skills and behavioral repertoire can be redeployed in the value chain. Within the HR flexibility scale developed by Bhattacharya et al. (2005), coordination flexibility in skill was described such as “firm can shift employees to different jobs when needed” and coordination flexibility in behavior was described such as “People in our firm readily change their work habits as demanded by changes in the working environment.” Sanchez (1997) defined “coordination flexibility” with three aspects, “defining the uses to which an organization’s resources will be applied, configuring chains of resources the firm can use in term of firm’s business strategy, and deploying firm’s resources through organizational systems and processes which apply available resources to target use.” Based upon these literatures, therefore, we can re-explain coordination flexibility in skill and behavior as to how firm quickly configure needed skills and behaviors from human resource pool and deploy them to required working tasks and situations contingent on firm’s current business strategy.

Several literatures can support that HR practices act as the role of coordinating skills and behaviors. Wright et al. (2001) stated that it is people management system (a bundle of multiple HR practices) which could influence human capital pool (skills, ability) and elicit the desired employee behavior. Furthermore, these HR practices are the means of firms to keep required skills and behaviors in terms of changing environmental and strategic contingencies (Wright et al. 2001, p. 705). Delery and Doty (1996) adopted the agency theory (Eisenhardt 1998, Fama, 1980) and stated that firms can enact policies and procedures to elicit necessary employee behaviors if firms are clear about what kinds of behaviors they need. The authors also argue that behavior is a function of ability (skill) and motivation. Therefore, firms should set up HR practice to retain individual with required skills and abilities. Firms should also use HR practices to ensure that employees can be motivated to behave in ways consistent with business strategy (Delery and Doty 1996:808).

I can use the 3 elements strategy typology (defender, prospector and analyzer) developed by Miles and Stone (1978) to interpret how the flexibility in HR practices could determine the coordination flexibility in skills and behaviors. According to Delery and Doty (1996), the HR practices for defender-type firm should focus on fostering and maintaining product-specific skills and knowledge through formal training. HR practices in such firm should pay much attention on long-term career path, development-oriented performance appraisal, high amount of employment security and voice for long-term working commitment. And all of these HR practices are consistent to defender strategy’s core value, lower cost and efficiency. In contrast, HR practices for prospector-type firm pay less attention on job-specific skills and behaviors but put more effort on seeking contingent employees from external job market (Wright and Snell, 1998). Because this type’s firms are constantly changing in products and markets, they prefer results-oriented appraisal system with less care about employees’ participation, long-term commitment and voice.

As Wright and Snell (1998) proposed, HR flexibility is a kind of firms’ dynamic fit according to firm’s flexibility business strategy. Linking back to the strategy typology of Miles and Stone (1978), this flexibility-oriented strategy should be consistent with analyzer-type strategy. Therefore, flexibility-oriented HR practices should encompass both the characteristic of defender and prospector’s HR practice pattern. Just like Wright and Snell (1998) proposed, a mean of skill coordination flexibility is that firms could either keep a smaller group of
employee with broader range of skills through training process or hire more contingent employees with narrower but more specific skills through proper selecting and recruiting process. This understanding can be tied to research on human resource architecture (Lepak and Snell, 1999; Lepak and Snell, 2002) where firm should use different human resource solutions (architecture) according to whether employees are closer to their strategy core (Lepak and Snell, 2002). According to Lepak and Snell (2002), firms should adopt “internal development” on those knowledge-based employees with high strategic value and uniqueness through extensive training, education and building commitment. On the other hand, firm should adopt external contracting and outsource to get employee who are less valuable and unique to their strategy. Thus, coordination flexibility in skills covers both internal flexibility and external flexibility like what Atkinson (1984) and Kalleberg (2001) mentioned.

Actually, various different HR practices could be conducted to achieve coordination flexibility in skills and behaviors. For example, job design or job descriptions (Delery and Doty, 1996; Wright and Snell, 1998; Wright et.al, 2001) are effectively HR practices which could achieve coordination flexibilities both in skill and behaviors. Job descriptions can be either narrowly defined to particular task requirement or can be broader and flexible for diversified working task and situation contingent on firm’s strategy need. Such flexible job description, coupled with flexible training program, can equip employee with broader range of skills for flexible task requirement (from clearly defined job task to brand new ambiguous job task). More important, a bundle of different HR practices (Wright et.al., 1999; Wright et.al., 2001) can also achieve coordination flexibility in behaviors. A mixture of behavior-oriented and result-oriented appraisal and compensation practices, coupled with flexible job rotation process, can encourage employee show different working behaviors in different working situations. Employees could either show standard working behavior for clear-defined task requirement or show discretionary none-routine behaviors (Beltrán-Martín et.al 2008) with innovation and creation if they are facing new working assignments and new working environments

It is obvious that there are many kinds of formulations of different HR practices to actualize coordination flexibility in skill and behaviors. According to behavioral perspective (Jackson, Schuler, & Rivero, 1989; Schuler and Jackson, 1987; Schuler, 1992), employee’s behavior is the mediator between strategy and firm performance and working behavior is elicited by proper HR practices associated with business strategy. Employee must exhibit such behaviors to carry out required strategy. This viewpoint is consistent with Mile and Stone's (1984) description of the different types of behaviors necessary for strategies within the 3 components’ strategy typology (Miles and Stone, 1978). Tying such understanding to coordination flexibility, the flexibility of HR practices would determine how flexible the coordination of skill and behavior are. This emphasizes the coordination and congruence among all the available HR practices across different situations and functions. More important, such flexibility is determined by how efficient and quick such HR practices can respond to strategy need and is also influenced by the speed of HR practices’ implementation. Just like Wright and Snell (1998) mentioned, certain HR practices such as compensation will have more immediate impact on employee’s behavior rather than other practices such as training or selection. Therefore, it is clear that the coordination flexibility in skill and behaviors are related to firm’s performance more tightly than mere resource flexibility. To summary the statement in this part, a proposition can be offered.
Proposition 2: Coordination flexibility in skill and behavior is more important than resource flexibility because it directly influences the actualization of flexible business strategy through exhibiting and configuring a flexible and broader repertoire of behaviors based upon a broader range of skill sets.

Proposition 3: The degree of coordination flexibility in skills and behaviors are influenced by the extent to which how flexible those associated HR practices are. Coordination flexibility is greater when such HR practices could more efficiently and quickly respond to strategy need and exhibit impact on skills and behaviors towards the strategy goals.

How does HR flexibility contribute to firm performance?

An assertion of Bhattacharya et al. (2005) can briefly summarize a characteristic of HR flexibility, the author noted that the HR flexibility components might represent a process effort, which indicates that firm might keep an ability to react and adapt to changing environment. Besides, the author went on arguing that those HR practices in non-change situations are more like a content effect, which singly associates with high firm performance. My proposition suggests that such process effort must be ground in content effort and it is the ability of reacting to change environment with extant content factors. If HR flexibility is more like a process, which component within this process can directly influence firm performance? Which components exhibit the role of supporting such influence through that direct factor?

Bhattacharya et al. (2005) empirically found that HR flexibility can individually positively influence firm’s performance. This empirically finding is further empirically supported by Beltrán-Martín et.al (2008), who found that HR flexibility is a mediator between High Performance Work System (HPWS) and firm performance. In this empirical study, HPWS is a bundle of different HR approaches focusing on improving employee’s skill, motivation. Here, HPWS has similar traits with the HR practice bundle mentioned by Wright et al. (1999) because they are both “content effort” mentioned by Bhattacharya et al. (2005), which is different from HR flexibility.

The model of HRM system in SHRM literature had no concern of flexibility (i.e. Wright and McMahan, 1992; Wright et.al, 2001; Delery and Doty, 1996). In such a model, firm’s performance is determined by firm’s human capital pool (KSA) and employee’s behaviors, which are determined by HR practices. On this relationship chain, HR practices are the mediator between HR practice and firm performance. Wright and Snell (1998) believed that HR flexibility is the updated outcome of HRM system when firms are facing dynamic competitive environment. This implied that HR flexibility should have great relationships with SHRM system in stable environment. This is why Wright and Snell called it “flexibility in strategic HRM” (1998:761). Wright and Snell (1998) broadly depicted flexibility in SHRM as “the extent to which the firm’s human resource possess skills and behavioral repertories that can give a firm options for pursuing strategic alternatives in firm’s competitive environment, as well as the extent to which the necessary HRM practices can be identified, developed, and implemented quickly to maximize the flexibilities inherent in those human resources” (p.761). This means that, even under the perspective of flexibility within dynamic environment, skills and behaviors are still the determinants for firm’s strategic goal. Besides,
such skills and behaviors are still influenced and determined by related HR practices. Such relationship is still consistent with the relationships within stable SHRM models.

The advantage of HR flexibility is that this system is a kind of dynamic capability because it focuses on how to adapt and fit employee’s attribute such as skills, knowledge and behaviors to changing environment conditions through fulfilling strategic need in such dynamic environment (Bhattacharya et al., 2005). The quality of such adaption can be finally reflected at how firm maintain a dynamic and flexible relationship between the link of HR behaviors and firm performance. Such relationship can analyze why HR practices flexibility can be positively related to firm’s performance, which is examined by Bhattacharya et al. (2005). HR practice flexibility is not only a bundle of HR practices (content) but it focuses on the ability of how to flexibly apply and deployed necessary HR practices to different situations and units. More important, the most important factor of HR practice flexibility is how flexible and quickly such practices could be reconfigured and redeployed consistent with firm’s strategic need (Wright and Snell, 1998; Bhattacharya et al., 2005). Such flexibility can be manifested by the extent to which how skills and behaviors can be reconfigured, redeployed quickly and flexibly for the strategy need. The degree of flexibility of HRM system is mostly determined by how flexible the HR practices within such a system. Besides, the flexibility of HRM system can be manifested by the degree of flexibility in HR skills and behaviors when skills and behaviors are deployed towards firm’s strategy goal. Below proposition can be offered.

Proposition 4: The whole system of HR flexibility is influenced by the flexibility in HR practices as the extent to which such HR practices can be applied across a variety of situations and sites and the extent to which such HR practices can be quickly reconfigured and redeployed consistent with firm’s strategy.

Proposition 5: HR flexibility’s contribution to firm’s performance will be greater when employees possess a wider variety of behavior scripts couple with broader range of skills (resource flexibility) and the necessary HR practices could rigidly and quickly configure, synthesize and deploy those HR resources (coordination flexibility) aligned with firm’s strategic goals.

DISCUSSION
This article summarized and analyzed previous literature about Human Resource flexibility to examine the inner-mechanism of human resource (HR) flexibility as a firm’s dynamic capability in the process of adapting and coordinating employee’s skill and behaviors to changing business strategies within unpredictable environment. Linking previous theoretical and empirical studies on HR flexibility literature and SHRM literature, this article found that the flexibility of human resource practices act as the crux role within the system of HR flexibility. Although flexibility in human resource practices cannot directly influence firm’s performance, it determines the flexibility in employee’s skill and behavior and coordinates skill and behavior to firm’s need. Skills and behavior flexibility is the outcome and effect of HR flexibility, which directly influence firm’s performance. Thus, the flexibility of HRM system will be greater if HR practices could be flexibly and quickly implemented aligned with firm’s varying strategies to configure and deploy necessary employee’s skills and behaviors for firm’s strategy goal.
Besides this important finding of such internal mechanism, the literature which supports and explains HR flexibility is across diversified research veins. According to Wright and Snell (1998), the basic framework of HR flexibility is based upon SHRM literature and Sanchez’s strategy flexibility (1995, 1997). Previous literatures have abundantly demonstrated that RBV of the firm is a valid and reasonable theoretical framework in HRM and SHRM research field (Wright et.al., 1994; Wright and McMahan, 1992; Wright et.al., 1999; Wright et.al., 2001; Beltrán-Martín et.al 2008), which greatly highlight the employee’s skills, ability and behaviors are firm’s crucial resources or even sustainable competitive advantage (Wright et.al., 1994) for achieving high performance.

The strategy flexibility thought of Sanchez was grounded in the background that firms are facing uncertain and changing environment (Sanchez, 1997). Therefore, HR flexibility cannot cease at RBV view. Wright et.al (2001) mentioned that the difficulty of firm to achieve dynamic capabilities in changing environment greatly stem from firm’s human structure and firms should adopt the model of HR flexibility (Wright and Snell, 1998) to elicit new skills and behaviors to achieve such dynamic capability. Bhattacharya et al. (2005) believe that HR flexibility is a kind of dynamic capability because it is a “process effect” which adapts firms’ resource of skill and behavior to the need of changing environment. This understanding apparently advances RBV view with a relative static lens.

**LIMITATION AND FUTURE RESEARCH DIRECTION**

This theoretical research paper is not without limitation. As to Sanchez’s argument (1995), the resource available to firm also include relational resource which owned and controlled by other firm but firm can still access, and market resource which firm can obtain from market transaction. Firm’s flexibility should also reflect how firm access and deploy resources from this two channels. Valverde et.al (2000) put forward numerical flexibility as a different dimension of HR flexibility. Numerical flexibility highlights that firm should manipulate and adjust the number of labor input through managing flexible working hours or using external labor market through short-term contract or even lay-off. This study do not take numerical flexibility into account, which may further the understanding of HR flexibility. Another limitation of this paper is that the influence of organization’s culture is not concerned. Ngo and Loi (2008) proposed that HR flexibility, especial behavior and HR practice flexibility are positively related to firm’s flexibility and adaptability oriented culture. Such culture can also positively relate to firm’s performance. Further research can examine whether organization’s culture which calls for flexibility can be seen as a product or result of HR flexibility system or it is independently make sense parallel to HR flexibility.

The limitations above are not exhaustive and this study calls for further research at several aspects. First of all, Wright et al. (1999) suggested that employees’ participation into decision-making and problem-solving process would enhance the HR practices’ influence on firm’s performance. The study on employee’s participation can be extended to employee’s voice (LePine and Dyne, 2001; Delery and Doty, 1996), which reflects employee’s initiative of positively making suggestions to firm. This is especially important for those firms’ in changing environment (LePine and Dyne, 2001). Griffin et.al (2007) proposed that firm should foster employee’s positive adaptive behaviors to make change initiatively instead of being passively flexible to the changing environment. Initiative change advances the flexibility understanding of HR flexibility because such system only reflects a passive
capability to manage change contingent on the environment. Also currently the research on initiative change is mainly on individual level such as voice and change-oriented OCB (Choi, 2007), it provides a future research direction for HR flexibility on how to initiatively manipulate flexibility in skill and behavior ahead of firm’s environment.

Bhattacharya et.al (2005) developed a measuring scale for each component of Wright and Snell’s HR flexibility model. Based upon this scale, further research should empirically examine the interdependency between the three components and to see if behavior and skill flexibility is the mediator between HR practice flexibility and firm’s performance. This would be a good practice from flexibility perspective to respond Wright’s (2003) call for next generation SHRM research through empirically testing how HR practices impact firm’s performance.

**CONCLUSION**

In sum, the paper contributed to the literature of HR flexibility by examining the intermechanism of HR flexibility and figuring out the factors which determine and influence such flexibility. The paper found that the theoretical framework of HR flexibility is greatly influenced by the RBV view (Barney, 1991). On the other hand, the flexibility traits of this model which concentrate on adapting and coordinating firm’s human resource for changing business environment make it beyond firm’s competitive advantage because HR flexibility is a process of configuring and deploying firm’s resource contingent on firm’s environment and strategy. Thus, HR flexibility is firm’s dynamic capability because it is a process of integrate, reconfigure and release resources (Eisenhardt & Martin, 2000). It is also a process of skill acquisition and accumulation of organizational assets (Teece, Pisano, & Shuen, 1997).

It is expected that this paper is not limited to be viewed with the SHRM lens but it can also consolidate the understanding of RBV view and dynamic capability from the perspective of human resource.

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Developing Cultural Adaptability: Four Cases of Executive Coaching Support for Leader/Managers

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ABSTRACT

The importance of Organizational Theory (OT) for firms to successfully expand into global markets is evidenced by the increasing research and pragmatic approaches in dealing with cultural differences (Yaeger & Sorensen, 2011, Minkov, 2013, Cummings & Worley, 2009). This has been especially important with the focus on cultural awareness and adaptability. As firms have moved from Global Learners to Global Launchers and begin to operate as Global Leaders (Ashkenas, Ulrich, Jick, & Kerr, 2006), the ability for leader/managers to rapidly adapt to local cultures becomes a critical competency (Schein, 2010).

This paper focuses on the lived experience of four leader/managers in a large multi-national corporation (MNC) as they grapple with effectively adjusting to local culture. The purpose of this paper is to examine the impact of executive coaching and to provide overall insights into cultural adaptability.

The research approach includes a literature review and four case studies within the same MNC. The literature review provides operating definitions for culture and executive coaching. The discussion investigates the importance of macro- and micro-cultures, cultural awareness approaches, coaching as an organizational development (OD) intervention, and the application of the SOAR framework (Strengths, Opportunities, Aspirations, and Results) as an executive coaching approach (Newman, 2011, Stavros & Hinrichs, 2009).
INTRODUCTION

The importance of Organizational Theory (OT) for firms to successfully expand into global markets is evidenced by the increasing research and pragmatic approaches in dealing with cultural differences (Yaeger & Sorensen, 2011, Minkov, 2013, Cummings & Worley, 2009). This has been especially important with the focus on cultural awareness and adaptability. As firms have moved from Global Learners to Global Launchers and begin to operate as Global Leaders (Ashkenas, Ulrich, Jick, & Kerr, 2006), the ability for leader/managers to rapidly adapt to local cultures becomes a critical competency (Schein, 2010).

Cummings and Worley (2009) noted the practice of Organization Development (OD) is increasing in organizations outside of the US. This may be attributed to more rapid development of emerging economies, greater availability of technical resources, and an emergence of global economy. At the same time, a highly individualized OD practice of executive coaching is emerging as an effective tool to support leader/managers in motivation, learning, and development (Newman, 2011). When a leader/manager is able to quickly adapt to both the global and local culture of a firm, better alignment, communication, and understanding is created. For the purposes of this paper a leader/manager is a supervisor or a manager of managers. By calling out both leader and manager, it acknowledges both the achievement of business results and developing empathetic and respectful treatment of members of working teams in which the leader/manager is a member.

Despite the fact operating globally is not a recent phenomenon nor is the practice of executive coaching, the integration of effective people practices across cultural boundaries can be seen as an impactful best practice. Utilizing executive coaching to support leader/managers in developing a competency of cultural adaptability can be critical to both global and local effectiveness.

There have been many studies to define and deal with cultural differences (Minkov, 2013, Schein, 2009) and an increasing number of studies regarding the efficacy of executive coaching (Newman, 2011, Cummings & Worley, 2009). There is a gap in studies focused on coaching for cultural adaptability. In addition, the research that exists (Goodman, 2011, Yedreshteyn, 2008) utilizes quantitative and qualitative research approaches that do not get to the level of the lived experience. The author has been an OD practitioner and executive coach for more than fifteen years. She was employed as an external executive coach by a multinational corporation (MNC) for global leader/managers as many struggled to adapt to their current assignments. Through this unique access to these leader/managers over a period of six months, a deep understanding of the lived experience can be contributed to the extant theory.

This paper builds upon current cultural awareness and adaptability literature and explores the journey of four leader/managers in one large MNC as they grapple with effectively adjusting to local culture. Hatch (2006) defines a MNC as an entity that has sales and sourcing on a truly multinational scale. The firm is not separated into a domestic versus international units but is designed as multidivisional based on products or regions. The purpose of this paper is to examine the impact of executive coaching specifically applied to leadership development involving cultural adaptability. The research approach includes a brief literature review and four case studies within the same MNC. The literature review provides operating definitions for culture, cultural adaptability, and executive coaching. The discussion furthers the notion of the importance of macro- and micro- cultures, cultural awareness, coaching as a valued organizational development (OD) intervention, and the application of the SOAR framework (Strengths, Opportunities, Aspirations, and Results).
STUDY APPROACH

Since the lived experience of the four leader/managers is highly subjective, an approach to make sense of their reality can be the Subjectivist Problematic approach as proposed by Cunliffe (2010). Since the author had a six month relationship with the subjects and was a participant in the lived experience, she could capture and analyze the reflections and interpretations for their contextual meanings and compared to extant theory. Since these case studies are from one MNC and one executive coach, variables of corporate culture and contextual interpretation are held constant. There are potential issues with generalizability for these same reasons. It is through their stories and struggles that a deeper knowledge is gained for the importance of supporting leader/managers to develop cultural adaptability competence.

Several themes were recognized from the contextual analysis: cultural adaptability, group norms, macro- and micro-cultural influences, and global experience. In this paper, cultural adaptability is defined as the capability to become aware of and appreciate both global and local cultures and to co-create new more effective local culture.

Context: Company Background

MidEarthCo (fictitious name) is a large multinational corporation that operates in over 160 countries. It is based in the U.S. with assets over $20 billion and more than 30,000 employees. Only recently, the majority of those employees are located outside of North America. What distinguishes this organization is its longevity. It is over 100 years old. MidEarthCo(MEC)’s efforts in globalization generally followed the path outlined by Ashkenas et al. (2006). MEC could now be considered a Global Leader.

For leader/managers, MEC distinguishes two aspects of achieving performance goals. They refer to the “What” and the “How” goals are achieved. “What” is considered the more objective and technical aspects of goal achievement. “How” is the more subjective, behavioral, relational, and interpersonal aspects of achieving the goal. This is closely aligned to Kotter’s (1990) juxtaposition of managers v. leaders. Managers focus on “What” while leaders focus on “How”. MEC has shifted to a greater concern for “How” a leader/manager conducts himself/herself. Historically, the “What” was a singular focus for performance management. Currently, there is a recognition that a both/and is needed. Being a company with a long history, a transition from more authoritarian management approaches continues to progress towards high involvement approaches that require leadership and engagement. To this end, supervisors and middle management are referred to as leader/managers.

The author was employed as an external executive coach for MEC for over ten years. A recent focus of the coaching assignments has been to work with high potential leader/managers to refine their “How”: to improve how they are working with their teams and collaborating with partners. Many of the author’s assignments have been with what are termed as “Ex Pats” or expatriates. These are leader/managers working in other than their home country. The designation has evolved since the expectation is no longer to return the leader/manager to his or her home country but to develop him/her for increasingly important global leadership assignments.

LITERATURE REVIEW

Defining Culture

Schein (1990) provided a merged definition of culture as:

“Culture can now be defined as a pattern of basic assumptions, invented, discovered, or developed by a given group, as it learns to cope with its problems of external adaptation and internal integration, that
Schein (1990) further analyzed culture to distinguish three levels of culture: (a) observable artifacts, (b) values, and (c) basic underlying assumptions. The layer of basic underlying assumptions is the most difficult to access but also the level where executive coaching needs to operate. Understanding culture is particularly important when dealing in different cultures. Those are most evident in different geographies but occur in different firms, occupations, and even teams. As more firms operate globally and more multicultural teams are employed, the need for cross-cultural analysis has emerged. Minkov (2013) provided different concepts of culture that are currently utilized in cross-cultural theory. These are: culture as systems of behavior, objective culture, culture as a set of meanings, and culture as a subjective human construct. He draws from Hofstede’s conceptualization of culture as a metaphor for mental software. It is invisible but resides in people’s minds as collective mental programming. Minkov (2013) is not as interested in determining the best theoretical culture definition as providing a clear empirical operationalization for cross-cultural analysis. This means that culture needs to be unpacked to its variables to be useful. In unpacking culture, one needs to choose practical aspects. Minkov chose values, norms, beliefs, behavioral intentions, and attitudes for practical aspects of cross-cultural analysis. Seemingly, Minkov’s choice of practical aspects aligns well with aspects used for creating behavioral team agreements (Schwarz, Davidson, Carlson, & McKinney, 2005).

The above definitions and unpacking of culture as phenomena covers culture as it appears at multiple levels. Next, a focus on the macro-cultural aspects will be considered.

Cummings and Worley (2009) built upon Hofstede’s classic work to offer cultural contexts for different geographic regions – or macro-cultures. Cultural dimensions were examined in terms of five values: context orientation, power distance, uncertainty avoidance, achievement orientation, and individualism. All of these dimensions operate on a continuum – low to high.

- Context Orientation - refers to the extent to which meaning in communication is carried in the words or language.
- Power Distance - refers to the extent to which differences in status and power differences are accepted.
- Uncertainty Avoidance - refers to the extent to which the unfamiliar or unpredictable is tolerated by members of that group.
- Achievement Orientation - refers to the extent to which assertiveness and the acquisition of material goods is valued by members.
- Individualism - refers to the extent to which people feel responsible for themselves. On the opposite side of the continuum is a collective orientation.

Many other culture studies offer variations of the above themes for the cultural dimensions. Most utilize an approach of mapping onto a visual continuum. For example, Deal and Prince (2003) proposed seven dimensions for their approach to cultural awareness. Those dimensions were:

1. Source and Expressions of Identity: Collective \(\longleftrightarrow\) Individual
2. Sources and Expression of Authority: Equal \(\longleftrightarrow\) Unequal
3. Goals and Means of Achievement: Tough \(\longleftrightarrow\) Tender
4. Responses to Uncertainty and Change: Dynamic \(\longleftrightarrow\) Stable
5. Means of Knowledge Acquisition: Active \(\longleftrightarrow\) Reflective
6. Orientation to Time: Scarce \(\longleftrightarrow\) Plentiful
7. Response to Natural and Social Environment: Doing \(\longleftrightarrow\) Being

Firms that offer cultural awareness services such as Project GLOBE ® and GlobeSmart® offer mapping similar to what is depicted in Figure 1.
The differences mapped are at the underlying assumption level. The ongoing cultural analysis work provides mapping for most geographic regions. The differences are both interesting and in some cases stark. This supports Cummings and Worley’s (2009) assertion that when dealing with organizations outside the United States, OD approaches need to be adapted to fit the cultural and economic development context. Since OD interventions often occur in corporations, it is important to consider the dynamic of the corporate development in dealing with the complexity of culture. It also supports an increasing focus on leadership development.

Ashkenas et.al. (2006) provided insights into a general path that firms follow in moving from operating locally to globally. This path is to move from global learners to global launchers and finally to global leaders. Global launchers have learned through pilot attempts and lower risk partnerships how to operate in other geographies. Eventually, partnerships may evolve into wholly owned units or new locations are created when global launchers develop into global leaders. As global leaders, these firms work to remove boundaries, especially geographic boundaries. Systems, structures, processes, and culture must be revised to accommodate fluidity. A global, regional, and local orientation has been an effective consideration in designing integrated systems, structures, processes, and micro-cultures. This can achieve global synergy and local responsiveness of a global leader. The benefits of reaching the level of global leaders are those of innovation from appreciating and leveraging diversity.

Miller, Fitzgerald, Murrell, Preston, and Ambekar, (2005) provided additional insights into how firms can be more successful going global. At the global launcher stage, partnerships need to be successful. This requires the development of shared norms and trust in building a mutual alliance. Co-creating a mutual culture is essential for the foundation of a partnership. Well designed and locally appropriate OD interventions are effective in creating mutual culture. Appreciative Inquiry (AI), as an OD intervention, has proven to be particularly suited to creating a mutual culture where potentially different business philosophies, values, and practices are involved. Since AI helps the alliance partners
appreciate and respect the differences, building a new culture from perceived strengths can occur.

Miller, et al. (2005) go on to acknowledge another OD intervention to support transcultural strategic alliances. They recommend one-on-one coaching for leader/managers to achieve a synergistic culture. An awareness of the macro (geographic region or corporation) level to appreciate other cultures needs to be considered for effective alliances.

Schein’s (2010) focus on leadership for organizational culture necessitated distinguishing operational levels of culture. His intent was to acknowledge the influence of macro-culture but focus on micro-cultures and subcultures since this is where there is leverage for a leader/manager. Schein’s breakdown is as follows:

- Macro-cultures-National/geographic, ethnic and religious, occupational (e.g. medicine, law, engineering that exist globally). *The author includes MNC culture.*
- Micro-cultures – Micro systems within or outside organizations – (e.g. task force teams).
- Subcultures – Occupational/ functional groups within organizations such as sales, product engineering, administrators, teachers, doctors or nurses

The leadership challenge in a micro- or subculture is to break down boundaries. Creating a “Cultural Island” of empathy, understanding, and safety is needed for open communication. Each micro- or subculture creates its own values, norms, beliefs, and behaviors to facilitate the goal of the group. Initial differences in values and underlying assumptions must be exposed so that more useful values and assumptions are co-created.

One of the most important cultural assumptions to be exposed is how to deal with status differentiation. This assumption has a great deal of impact on open communication and safety. An expectation for innovation and creativity cannot be achieved if members have differing views and behavior towards real or perceived status differences. For many micro-cultures (task teams) the level of cultural artifacts can be seen through T-shirts, hats, or other team identifying objects. As accessible and important as micro-culture is to a leader/manager, the macro-culture is foundational to how members of a multi-cultural team connect.

**Executive Coaching**

Positioning executive coaching as an intervention has been unclear due to its multiple roots. Executive coaching was developed from several disciplines (e.g. counseling, psychology, organizational behavior (OB), and organizational development (OD)). Justifiably, from its many roots, executive coaching could be placed in the more generalized area of organizational theory (OT).

Newman (2011) offers a necessarily broad definition for executive coaching that acknowledges the International Coaching Federation (ICF) and OD values. Executive coaching is a partnership of client and coach in a creative process involving self-efficacy that leads to positive change, including results at individual, group, and organization levels. Executive coaching can be as unique as the coach’s approach and the client’s need. At base, executive coaching is a helping relationship with clients that draws upon multiple coaching roles of trusted thought partner, process facilitator, and diagnostician (Newman, 2011).

For the purposes of this paper, executive coaching provided the opportunity to gain deep insight into the thinking, awarenesses, and actions taken by leader/managers as they dealt with multi-cultural teams. Through a series of conversations, reflections, and multi-rater feedback, the coach helped the client make sense of how to operate in different cultures. The successes of the coaching relationships were objectively measured by improvements in employee survey items.
referring to “How.” Subjective measures of progress include the client’s self-assessment of change and the client’s manager seeing marked improvement in the client’s “How”.

One of the catalysts of client progress was a personal strategic visioning approach the coach initiated using the SOAR (Strengths, Opportunities, Aspirations, Results) framework (Stavros & Hinrichs, 2009).

SOAR™, developed by Stavros & Hinrichs, has its basis in AI. It is a strength-focused whole system approach to create organizational transformation. Like cultural theory, SOAR can be applied to an organizational, department, team or individual level. SOAR employs a series of conversations to engage the organizational entity in creating a strategic vision and a strategy to achieve the vision. The following are questions to the client to conduct the SOAR conversation in an executive coaching relationship:

- What would you like to create for yourself or your organization? Tell me what that would look/feel like?
- S - What strengths and capabilities do you have that will help create that future?
- O - What are the opportunities that indicate the possibility of this vision? What are accelerators or barriers (external or internal) to achieving the vision?
- A - What do you aspire to create? What would inspire you?
- R - What would indicate that you are on track? What would be a powerful feedback mechanism to help you stay on track for your vision?
- For this week, what awareness should be your focus? What could you do (Action) to move forward? What will you do? (Commitment)

Please see the appendix for a template for the questions/reflections of a SOAR session.

**Literature Review Conclusion**

A literature review to provide foundation and perspectives on culture and executive coaching was provided. The following is a list of salient points derived from the above research:

- Cultural adaptability is a critical global leadership competency for MNCs.
- Cultural awareness is needed for cultural adaptability. This is important at all levels, macro-, micro-, and subculture.
- Underlying assumptions must be made explicit in order to deal effectively with micro-cultures.
- A climate of safety, understanding, and empathy must be created for micro-cultures to create or alter underlying assumptions, values, and behaviors. A “cultural island” approach can facilitate creating the needed climate.
- Executive coaching is an impactful intervention for supporting leader/managers through complex transitions involving multiple cultures.
- Strength-focused approaches such as Appreciative Inquiry and SOAR facilitate transitional and transformational change.

The above learnings are applied to four case studies involving cultural adaptation in one MNC.

**MEC CASE STUDIES: EXECUTIVE COACHING FOR CULTURAL ADAPTABILITY**

**GENERAL EXECUTIVE COACHING APPROACH FOR MEC**

MEC employs what could be strictly defined as external coaches for their executive coaching. However, these executive coaches have institutional knowledge by virtue of either having been long term (retired) employees or long term consultants for MEC. All of the executive
coaches have been trained as coaches and provided coaching for more than ten years in order to be allowed to provide this level of coaching.

The executive coaching process is initiated by local unit leadership. The local unit can be located anywhere in the world. Local leadership identifies a leader/manager that could benefit from an executive coaching relationship. In many cases, this has been as a result of employee survey results that did not meet the expectations for “How” the leader/manager operates. Since the reward system was altered to include “How” evaluations, more intention has been focused on this leadership aspect.

The coaching relationship was contracted for approximately six months. In most cases, the leader/manager client connected virtually with his or her assigned coach every other week for an hour. A high level MEC coaching process is provided in the Appendix.

The initial phone calls were dedicated to creating the relationship, understanding the roles, and clarity on what the client wanted to create, the project. This phase was critical since the client must feel safe and understand the unconditional commitment that the executive coach had for the client. If this helping relationship was not well established, it was unlikely that the client would engage in the openness, self-discovery and development needed.

SOAR was used to gain clarity and facilitate the discovery of the possibilities the client wanted to create. In addition, the Strengths and Opportunities conversations became information to compare to the multi-rater feedback on the client’s strengths and developmental opportunities.

The bi-weekly conversation flow can be characterized as “What’s so?, So what?, What now?” In each meeting, awarenesses and actions were identified to forward the client’s project. For the case studies, the clients’ projects were a significant improvement in their “How”. At the root of improving “How” was the awareness that the clients needed to more effectively adapt to local culture.

After the relationship was solidified, the next phase was to provide qualitative multi-rater feedback. The client identified 12-15 interview participants that represented direct reports, peers, partners, and their immediate manager. Specific instructions were provided to make sure that the client did not just identify advocates but also challengers.

The interview protocol included questions about the client’s business challenges, strengths, opportunities for development, ideas for managerial support, and thoughts on how the interview participants could support the client. The interviews were conducted using a strength-focused whole system approach. The executive coach created a feedback report. This report was for the client. It was the client’s choice as to whom and to what level the information in the feedback report would be shared.

The next phase involved the client creating an action plan. A meeting was conducted to share the action plan with the immediate manager, HR manager, and executive coach. The balance of the coaching relationship was focused on achieving the action plan.

Specific Coaching Approach for Four Leader/managers

The author, as an executive coach, was involved in a three to six month coaching relationship with four MEC leader/managers. Based on the situation and agreement with the client, the executive coach also operated as an OD content expert. These four leader/managers, referred to as Klaus, Franz, John, and Kristoff, determined that they wanted to develop a stronger competency in cultural adaptability as one approach to addressing their “How”.

When cultural adaptability was identified as a coaching project, targeted approaches were added to the general coaching process to address cultural adaptability. These approaches were:

- Macro-cultural (geographic regions and MEC’s cultural dimensions) awareness using GlobeSmart®.
Micro-cultural (direct reports team) awareness and development using the local internal OD consultant. This internal OD resource provided ongoing support and cultural islands.

Appreciative Inquiry into best experience of adapting to local culture.

The above approaches focused on cultural awareness at the level of underlying assumptions. Additional awarenesses and actions were taken by the individual leader/managers. Next, the stories of Klaus, Franz, John, and Kristoff are offered.

**Klaus’ Leadership Journey**

Klaus was born and grew up in East Germany prior to the fall of the Berlin wall. When he first joined MEC, he was in an engineering position in Germany. Klaus had a PhD and spoke multiple languages. He progressed quickly in part due to the recognition of his technical expertise. Soon, he was promoted to supervision in product support. His first supervisory position was in a new unit located in Russia. Klaus was fluent in Russian. His wife is Russian. Klaus adapted well to the Russian unit’s culture. The challenges of an extreme workload and scarce resources common to a new unit were overcome. In that situation, decisiveness was needed and expected. He learned a role expectation of exercising authority. He found Russians to be more motivated by personal loyalty than goal achievement. As a result of the unit successes, Klaus was offered another promotion which involved moving to the US.

Klaus is intelligent and willing to take risks. This was evidenced by his willingness to accept the promotion to the US. He was chosen as a manager of product support for a major product line in the heartland of America. He was unaware that he had received the promotion over one of his direct reports that had been with the company for twenty years. Klaus struggled to understand his U.S. team with their expectation of consensus and engagement. In addition, his direct reports had little to no global exposure. Most had not traveled outside the US nor were able to speak a second language. He reported dealing with Russians to be easier to understand and manage. Upon reflection, he acknowledged he made some early mistakes. He made several unilateral decisions, had difficulty delegating, and behaved in an authoritarian manner. His direct reports attributed this to being typically German. It is unclear if his national macro-culture was a more influential than the MEC corporate culture.

Klaus’ executive coach recommended he take the GlobeSmart® assessment. He was not surprised by the comparative analysis and felt there was some validity. It was helpful but he acknowledged the information as stereotypes. None of his direct reports were exactly like the US or MEC analysis and he was not typically German. The cultural dimensions did offer useful underlying assumptions to consider. He realized he needed to develop more towards the collective, egalitarian, indirect, and relationship ends of the continuums (see figure 1).

In the safety of the coaching relationship, Klaus discovered and developed his ability to engage his employees and communicate more effectively. He utilized the local internal OD consultant to conduct ongoing team building sessions. These were similar to Schein’s cultural islands. New working agreements were created. Klaus asked his people for help in his adapting to the US. His direct reports were not as open to learning from Klaus’ global experience and cultural diversity. They assumed that Klaus should be the only one to adjust – which he did. In addition, Klaus realized the need to create new relationships and networks beyond his immediate team. This included other functions, customers and wage employees.

Klaus learned he needed to be especially careful with email. He tended to be direct in face to face communication and realized he was even more direct on email. This had been a source of misinterpretation. He decided to adopt a habit of stopping and reflecting on any email prior to sending. He also learned to add relationship creating comments along with the technical responses. Again, this served to shift him towards the relationship end of the continuum.
What was surprising about Klaus was his immediate response to blame himself for anything that went wrong. What was not surprising about Klaus was his insatiable desire to learn about anything that would help improve the people side of doing business. After only two months in the coaching relationship, a pulse employee survey was conducted and there was a complete turnaround in his low scoring “How” items.

**Executive coach insights:** Klaus is an impressive leader/manager that will be contribution to MEC’s global future. Klaus felt being coached improved his cultural awareness and adaptability. His continuing success will be due to his dedication to learning, creating relationships, and the ongoing support from an effective internal OD consultant.

**Franz’s Leadership Journey**

Franz was born in Germany. His first job after university was with MEC. Franz progressed steadily through his highly technical reliability field. He became a global resource for the company due to his reliability expertise. Franz was also multilingual. He was especially fluent in English. This could be because he married an American. Although fluent in English, the nuances of American humor and decorum were challenges. The macro-culture of a reliability profession, the German focus on task over relationship, and MEC’s need for product consistency all reinforced Franz’s directness in doing what he deemed the right way. Political correctness/savvy was not high on his list of competencies to be developed. Despite Franz’s desire to move up in the company, he still operated more as an individual contributor than making the shift to managing others or managing managers (Charan, Drotter, & Noel (2001).

The ExPat opportunity in the U.S. was welcomed for both the promotion and his wife getting back to within a few hours of her hometown. Franz was not fully aware that meeting the needs of the global product would require quickly expanding his team. His team would be mostly co-located in the Midwest but there would also be global virtual team members. In addition, two team members had been assigned to him after lack of performance and behavioral issues on other teams. Franz’s team, like Klaus, was predominately composed of members who had little global exposure. At the central unit, there was a lack of diversity.

Franz took the GlobeSmart® assessment. Despite his fluency, the questions were confusing. He had wished he had taken the assessment in German. He was surprised to see his emphasis on task. Through the coaching relationship, Franz focused on relationships. He considered the concept of equifinality. This allowed him increased flexibility to go beyond his belief in one right answer.

Franz engaged the same internal OD consultant as Klaus to work with his team. With continuing effort, great progress was made. There were issues with initial conversations that were not safe. The internal OD allowed for the team to provide Franz with feedback to address the poor results of his “How” items in the employee survey. Some participants later described the conversation as brutal and felt that a manager should not be subjected to such public feedback. To Franz’s credit, he accepted and worked with the feedback. The OD consultant was able to work with the group until it developed as a team. It did require removing the two non-performing members that seemed intent on preventing the team from creating their micro-culture values and working agreements.

Once the micro-culture of the team was clarified, Franz became more energized and optimistic. The product challenges were daunting but those had not caused him as much concern as dealing effectively with people – in any culture. His manager, colleagues, and partners all commented on his evident improvement in working with his immediate and extended teams. Franz believed that if he retook the GlobeSmart® assessment, he would have
shifted to the relationship end of the continuum. His continuing path is not without bumps, but due to Franz’s willingness to accept feedback, the trend should be positive.

Executive coach insights: The author found it interesting that the majority of her Expat cultural adaptability clients were German. She was inclined to attribute the challenges of adapting more to their US teams that had a lack of diversity and global experience. Franz directed his cultural adaptability efforts towards balancing relationships along with task continuum (see figure 1). One of his biggest issues was a shift to the role of leader/manager since he was successful as an individual contributor and had power from his expertise. MEC will continue to support him on his journey due to his critical expertise and increased global capabilities. The ongoing efforts of the internal OD consultant are critical for sustainability of Franz’s team progress.

John’s Leadership Journey

John was born in the USA. He joined MEC as a mid career hire. Despite his short tenure with the company, he quickly progressed through increasingly important assignments. His movement may be attributed to his detailed knowledge of Lean manufacturing approaches and his capacity for innovation and vision. Many of the interview participants described him as an “out of the box” thinker.

Prior to his current assignment, he was an ExPat in Argentina. In that assignment, he worked closely with the plant manager to turnaround that factory. Situationally, the project required more use of an authoritarian and task oriented approach for fast cycle time implementation. Regardless of his initial lack of fluency in the language, a different culture, and a great amount of change, John was able to be effective in the high profile project. He was effective in adapting to the local culture. This was evidenced by his willingness to learn the language and take part in many national cultural events. As a result of this unit’s successes and his relationship with the plant manager, he was promoted to operations manager for a factory in his home state.

John’s operations team was multicultural but predominately US citizens. John came to realize that every unit at MEC had its own unique local culture. The culture at the factory supported slow change and required consensus at every step. This was very different from the Argentinian factory where change was embraced and managers were expected to be directive. To adapt to his new culture, he needed to shift from the status/authoritarian side of the continuum to the egalitarian side (see figure 1).

Based on his employee survey results and a unilateral action that engendered upset with his colleagues, John was assigned an executive coach to improve his “How”. It was evident that an immediate need was to create a more effective operations team and improve relationships with the other functional areas (John as a member of this leadership team). Creating a micro-culture for the two teams was an action item John created even before his multi-rater interviews were conducted.

A different internal OD consultant was engaged to work with both levels of teams. For John’s operations team, each member took the Myers-Briggs Type Indicator (MBTI)® assessment. This was used instead of GlobeSmart® to uncover underlying assumptions and as input to creating working agreements. The insight for John was that he was a visionary and gained energy from innovation and change. This proved to be valuable to John individually as he realized his difference from other members of his team. This was reinforced by the interviews.

An important realization was that he needed to slow down and bring others along with him towards his vision. Discussion with his executive coach clarified that he needed to be one step ahead of the organization and guide them rather than push them. Because of John’s intelligence, he needed to discover a way to engage his mental capacities while building consensus. He decided that if he focused on learning all aspects of operations, becoming more culturally adaptable, and learning how to “sell not tell” would be a sufficient challenge. He also sought to
Kristoff’s Leadership Journey

Kristoff’s journey may be the most interesting and complex story of cultural adaptation. Kristoff is a German national managing a branch office in Sweden that recently consolidated with the Danish branch. Kristoff reports to an Irish national. The consolidation of the branches necessitated a move from the small 1990’s style office to a larger office that could provide a modular design.

He requested coaching to deal with managing this diverse group. He was aware of his challenges in adapting to a multicultural team while delivering the needed business results.

Kristoff took the GlobeSmart® analysis to gain additional perspective for the end of year and new location move challenges. His macro-cultural comparison results are provided in Figure 2.

![Figure 2. GlobeSmart® Consolidated Assessment](image)

Kristoff found the analysis to be interesting and somewhat helpful. The focus on macro-cultures did not specifically address his micro-culture (team dynamics) issues. A local internal OD consultant was not available to assist Kristoff with his immediate micro-culture needs. His executive coach suggested her willingness to operate in the role as an OD consultant content expert until the internal OD consultant could be engaged.

Through his client/coach conversations, Kristoff realized the location change was an opportunity to breakdown the boundaries that kept individuals in country teams rather than functional teams. At the same time, his manager’s focus was making the year end numbers. Kristoff noted that his manager seemed to embody the corporate GlobeSmart® values and assumptions.
There was a limited window of opportunity to move from a Swedish, Danish, German, and functional cultures to a MEC Nordic culture. All branch employees participated in meetings to design the new location. The focus was on creating their new micro-culture at all three levels of culture – artifacts, values, and assumptions. All employees were given voice, only a few were not pleased with the results. The new location design provided more open spaces and group working areas. Employees that preferred separate offices with doors were not accommodated in the desire for no change. Breaking down the boundaries even extended to technical aspects by consolidating the branch information onto one server.

By engaging everyone in the effort, a solid start to the co-creation of the MEC Nordic culture was accomplished. Kristoff and his coach designed the first meeting in the new location. The first day in their new location was a celebration and a large group strengths-focused session to create working agreements. His focus can now shift to achieving year end results.

Executive coach insights: The executive coaching process was not strictly followed in this case. Kristoff had an immediate need so the coaching relationship went beyond to include OD expertise while dealing with Kristoff’s cultural adaptation opportunity. This case showed the power of multiple OD approaches such as strength-focused (AI) interventions and executive coaching brought to bear on an organizational issue.

RECOMMENDATIONS

These case studies emphasize the importance of cultural adaptation in the increasingly globalization of firms. From the experience across these stories, the following recommendations are offered.

- Executive coaching is an impactful individualized OD intervention that can support a leader/manager in his or her rapid and effective cultural adaptation.
- Every promotion or career transition involves a cultural adaptation. At minimum, there is a micro-cultural transition.
- Macro-cultural awareness is helpful to provide cultural sensitivity and avoid taboos but harmful if assumptions are made that individuals fit the stereotype.
- To sustain the effectiveness of a micro-culture, a person with OD expertise should be engaged to create “cultural islands”.
- Employees that have limited global experience benefit from greater exposure to multicultural teams.
- An understanding of additional factors impacting cultural awareness (e.g. gender, age, and personality) is suggested for future research.

The above recommendations are not substantively different than recommendations that would be provided to most organizational development efforts that are not necessarily focused on cultural adaptation. This indicates the adaptability of OD interventions.

Conclusion

The acceleration of globalization calls for rapid and effective cultural adaptation. Leader/managers need to effectively operate Glocally (both global and local). In this paper, a brief review of cultural adaptation literature and four case studies were offered to support the application of executive coaching to support leader/manager cultural adaptation.
REFERENCES


APPENDIX
High Level MidEarthCo (MEC) Executive Coaching Process

<table>
<thead>
<tr>
<th>Question to Client</th>
<th>Reflection - Coach</th>
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<tbody>
<tr>
<td>What would you like to create for yourself or your organization?</td>
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<tr>
<td>Tell me what that would look/feel like?</td>
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<tr>
<td><strong>S</strong> - What strengths and capabilities do you have that will help create that future?</td>
<td>This is what occurred to me as you were speaking? (Share thoughts - mark in things that are exciting or impactful)</td>
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<tr>
<td><strong>O</strong>- What are the opportunities (external trends) that indicate this vision would be useful?</td>
<td>Here is what I heard? (Reflect back positively)</td>
</tr>
<tr>
<td><strong>A</strong>- What do you aspire to create? What would inspire you?</td>
<td>Let me ask you this. . (Ask appropriate questions to gain clarity)</td>
</tr>
<tr>
<td><strong>R</strong>- What would indicate that you are on track? What would be a powerful feedback mechanism to help you achieve your vision?</td>
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<tr>
<td>Now where are you?</td>
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<tr>
<td>In the next week, what could you do (Action)?</td>
<td>What else are you willing to do? . (Push for a stretch)</td>
</tr>
<tr>
<td>Who might you talk to (conversation)?</td>
<td>Who else? . (Push for 3 conversations)</td>
</tr>
<tr>
<td>What might you pay attention to (Inquiry)?</td>
<td></td>
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<tr>
<td>What will you do? (Commitment)</td>
<td>So next time we talk, I will ask you about your progress on these “n” things. . (Recap commitments for clarity)</td>
</tr>
</tbody>
</table>
TWO FACES OF NORMATIVE ORGANIZATIONAL COMMITMENT? AN ANALYSIS OF THE EVIDENCE
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ABSTRACT
The dominant paradigm in organizational commitment research is the TCM, the “three component model” developed by Allen & Meyer (1990), which proposes that employees experience affective, continuance, and normative based commitments at work. Of these, the most controversial is normative commitment, which has been criticized for having poor construct validity (cf. Bergman, 2006). Recently, Meyer and Parfyonova (2010) published a defense of normative commitment (NC), arguing that it has a greater behavioral explanatory power than has heretofore been realized. This defense is based on their idea that NC actually has “two faces”, one reflecting an employee’s sense of “indebted obligation” to their organization, the other reflecting a sense of “moral duty” (cf. Gellatly, Meyer, & Luchak, 2006). In this paper, I critically analyze the two-faces concept, arguing that it is not well-supported by empirical evidence and has weak theoretical foundations. Implications for future research into the NC construct are discussed.

Work commitment is among the most frequently researched topics in the field of organizational behavior. In their recent meta-analysis, Cooper-Hakim and Viswesveran (2005) found that more than 500 journal articles addressing the topic have been published over the preceding 20 years, and despite the recent introduction of similar concepts such as “work engagement” and “job embeddedness” (cf. Jaros, 2009), there is little sign that interest in work commitment is flagging, probably because of its reasonably strong linkages to important employee attitudes and behaviors, such as job satisfaction, organizational identification, turnover intentions, turnover, and citizenship behaviors (cf. Klein, Becker, & Meyer, 2009). Within work commitment research, the dominant paradigm is the “three component model” (TCM), first described by Allen and Meyer (1990). Allen and Meyer proposed that an employee’s experience of organizational commitment has three dimensions reflecting affective (emotion-based), continuance (cost-based), and normative (obligation-based) mindsets. This model has been the subject of extensive empirical and theoretical research (Meyer & Matlin, 2010) and has been used to study organizational commitment, as well as commitment to other foci such as jobs, supervisors, teams, and occupations.

However, while existing research has confirmed the general validity of the TCM, its components have not been evaluated as equally valid. Affective organizational commitment has been found to have strong theoretical and empirical foundations (Klein, Becker, & Meyer, 2009). Continuance organizational commitment has been characterized by a controversy over its dimensionality (Powell & Meyer, 2004) but at least one dimension, the “high sacrifices” concept, has been found to be a strong predictor of employee behavior and has firm roots in the sociology of work (Becker, 1960). In contrast, normative organizational commitment (NC) has a troubling conceptual and empirical history. In her comprehensive review of normative commitment, Bergman (2006) noted a number of problematic aspects of this construct, including conceptual redundancy with affective organizational commitment (correlations between the two constructs are often .6 or greater), and a frequent failure to contribute significantly to the prediction of attitudinal and behavioral outcomes when affective commitment is controlled for. Others, such as Jaros (2007), have noted a lack of correspondence between the scale items used to measure NC (the “normative commitment scale”, or NCS, developed by Allen & Meyer, 1990) and the construct’s definition, or have argued that NC might actually be a form of continuance commitment (Powell & Meyer, 2004).
or a precursor of commitment, not a separate distinguishable form of commitment (cf. Cohen, 2007). Taken together, these criticisms call into question the validity of NC as a dimension of organizational commitment and of its place in the TCM.

In response to these criticisms of the NC construct, Meyer and Parfyonova (2010) recently published a defense of the concept designed to rehabilitate its reputation among work commitment researchers and firm-up its status as one of the pillars of the three-component model. While their review of NC is wide-ranging, central to this defense is the notion, first broached by Gellatly, Meyer, and Luchak (2006), that normative organizational commitment, traditionally conceptualized as a unidimensional construct reflecting commitment based on an employee’s sense that they are obliged to remain a member of the organization and contribute to its well-being, actually has “two faces”, or dimensions, one reflecting a sense of “indebted obligation” to the organization, the other reflecting a sense of “moral duty”. Gellatly et al.’s “two faces” concept was echoed by Meyer, Becker, and Van Dick (2006) and since then by others (e.g., Meyer & Matlin (2010); Corstjens, 2011; Meyer, Stanley, and Parfyonova, 2012). Based on a review of recent research into profiles of organizational commitment, Meyer and Parfyonova (2010) argue that these two dimensions do in fact exist, and have different implications for attitudinal and behavioral outcomes. They also provide a theoretical justification of the ‘two faces’ concept of normative organizational commitment. Thus, other researcher’s criticism of NC as a viable commitment construct is based on a faulty understanding of its nature.

But are Meyer and Parfyonova (2010) and others who support a reconceptualization of NC as having this dual nature correct? The purpose of this paper is to critically evaluate the “two faces” reconceptualization of normative organizational commitment. First, the details of that reconceptualization are reviewed. Next, Meyer and Parfyonova’s interpretation of research findings, which they claim provide support for the existence of two dimensions of normative commitment, is critically analyzed. Third, their theoretical justification for a “two faces” reconceptualization is assessed. Finally, in light of the findings of this paper, the future of normative commitment as an aspect of the TCM is discussed.

**Two faces of Normative Commitment**

The roots of the “two faces of NC” concept lie in an argument made by Gellatly, Meyer, and Luchak (2006). These authors tested hypotheses developed by Herscovitch and Meyer (2001) about how the three components of organizational commitment – affective, continuance, and normative – would combine in commitment profiles to influence employee attitudes and behavior. In a nutshell, Herscovitch and Meyer predicted that, consistent with prior research, a high level of affective commitment would have a strong influence on favorable (from the organization’s point of view) employee behaviors, such as reducing the likelihood of turnover and increasing the likelihood of citizenship behaviors. But they also argued that high levels of continuance commitment (CC) and normative commitment (NC) would have a tempering effect on this relationship. This is because affective commitment (AC) is a function of one’s internal, self-motivated desire to be a member of an organization, whereas CC is a product of external forces compelling one to remain (costs of leaving are prohibitive), and NC also has a significant external-compulsion component via the feeling of being obliged to remain. Herscovitch and Meyer (2001) argued that when all three forms of commitment are at a high level, these NC and CC based feelings of compulsion to commit to the organization would temper the internal-driven AC basis, thus reducing the impact of the latter on positive behaviors. Thus, they predicted that a commitment profile characterized by a high level of affective commitment but low levels of continuance and normative commitment
would actually have a stronger, more positive impact, on outcomes like turnover and OCB than would a profile characterized by high levels of all three kinds of commitment, or a high level of affective commitment and either normative or continuance commitment, and a low level of the remaining form of commitment.

However, in testing these hypotheses, Gellatly et al. (2006) found that, contrary to Herscovitch and Meyer (2001)’s propositions, for both turnover intentions and OCB, a profile that combined high levels of AC and NC (and low CC) was associated with significantly lower levels of turnover intentions and higher levels of OCB than was the high-AC only profile. They also found that NC tended to have a negative effect on OCB when CC was high but AC was low. To explain these findings, Gellatly et al. (2006) proposed that NC has a dual nature, one “face” reflecting a sense of “indebted obligation”, the other reflecting a sense of “moral imperative” towards the organization. The former “face” is manifest when high levels of NC are experienced simultaneously with high levels of CC (while AC is at the same time low), because in the absence of high AC, high CC is theorized to create a “context effect” that causes the obligations that create the high level of NC to be experienced in a negative, externally-compelled way (as in “I must remain with this organization in order to save face”). This is because CC itself is posited as being experienced as a somewhat negative form of commitment, one reflecting being “trapped” in the organization due to high exits costs. This “indebted obligation” face is expected to have only a weak, possibly even negative, motivational effect on favorable job outcomes. In contrast, when AC is high, NC is experienced as a sense of moral duty, a state characterized by a “strong desire” to remain with and help the organization, because when AC is high, it is believed to create a context effect that causes NC’s obligations to be experienced as something coming from within ourselves, reflecting our own internally-chosen hopes, values, and aspirations (cf. Meyer, Stanley, and Parfyonova, 2012). This “moral duty” face is posited to have strong, positive influences on favorable work outcomes, thus adding to the impact of AC on favorable work correlates. Finally, when CC and AC are both high, the expectation is that the context effect of AC should be stronger than that of CC, causing high NC to be experienced as shading more towards the “moral duty” face (Gellatly et al., 2006). The implication of the two-faces concept is that, when it comes to doing things that are usually favorable for the organization, like not quitting but also engaging in citizenship activities, a commitment profiled characterized by high NC and AC and low CC should be the most powerful, positive predictor, having a greater impact than the high AC-only profile. The high CC/NC profile (with low AC) should have far weaker positive effects, perhaps even negative effects on, favorable organizational outcomes, since its motivation is exclusively external and compelled.

The argument put forward for “two faces” of NC by Meyer and Parfyonova (2010) is fundamentally the same as that proposed by Gellatly et al. (2006). But, Meyer and Parfyonova flesh-out the Gellatly et al. perspective in two ways. First, and most importantly, they argue that the two-faces concept is supported by empirical research published since Gellatly et al. (2006). Gellatly et al. was one of the first studies to test the Herscovitch and Meyer (2001) propositions about profiles of organizational commitment, but between 2006 and 2011, other papers appeared that have done so as well, and Meyer and Parfyonova cite these findings as being supportive of the notion that the nature of NC changes from one face to the other as it is experienced in conjunction with either high levels of AC or high levels of CC.

Second, Meyer and Parfyonova attempt to provide a more elaborate theoretical justification for the two-faces reconceptualization of NC. They do this by drawing on Self-Determination Theory such as that proposed by Deci and Ryan (1985, 2002): when high NC is combined with high AC, its moral duty face is experienced as the result of a form of
“autonomous regulation”, a form of regulation characterized by a desire to commit to the organization emanating from within the employee, reflecting his or her hopes and aspirations, whereas when high NC is combined with high CC its indebted obligation face is experienced as external and introjected regulation, i.e., external forms of control that people naturally tend to resist and therefore are less motivating. The key idea here is that humans tend to be willing to, among other favorable outcomes, remain members of the organization (turnover) and put forth more effort on its behalf, including going “above and beyond” the call of duty (OCB), if their motivational basis is internally-driven (high AC/NC combination) than if it is externally compelled (high CC/NC combination). In the next sections of the paper, I evaluate the adequacy of Meyer and Parfyonova’s claims about the existence of supportive empirical evidence, and the adequacy of their motivational bases for the two-faces concept.

Two-faces analyzed: Empirical evidence

As noted above, Meyer and Parfyonova’s (2010) advocacy of the two-faces of NC concept is based on both empirical evidence and theoretical justification. Of the two, the former is most important, since the purpose of the theoretical justification is to explain empirical findings that they allege support the two-faces concept. But, if the empirical evidence really does not provide support for the two-faces concept, than the need for a theoretical explanation that would support a two-faces view dissipates. In this section, I review Meyer and Parfyonova’s claims about the empirical evidence to see whether their conclusion that it supports a two-faces reconceptualization of NC is justified. Since this review involves interpreting largely the same empirical evidence that Meyer and Parfyonova review, my analysis runs the risk of being, from the point of view of the third-party reader, merely an alternative, subjective evaluation of that evidence, skewed in favor of my argument. In other words, my analysis may read like a “set the straw man up, knock the straw man down” analysis. Thus, to mitigate this, I will quote extensively from Meyer and Parfyonova (2010) so that the reader will be able to better judge whether I am characterizing their claims correctly or not. I will also cite specific evidence from the record of empirical studies so that my claims about this evidence can be more fairly evaluated. These results are summarized in the Appendix.

One important paper cited by Meyer and Parfyonova is Wasti (2005), who studied commitment profiles among Turkish employees. According to Meyer and Parfyonova, Wasti

“…found that intention to stay with the organization and loyal boosterism (a form of OCB) were greater in the AC/NC-dominant profile group (i.e., strong AC and NC and weak CC) than in the AC-dominant group. This finding suggests that NC contributes beyond AC to stay intentions and discretionary behavior”. (p. 286).

While this is true as far as it goes, Wasti (2005) also found no significant differences between the high AC/NC profile and high AC profile with respect to job stress, work withdrawal, and altruism towards colleagues. Thus, for these important outcome variables, high NC did not contribute to prediction above and beyond high NC, which contradicts the idea that when experienced with high AC, NC is experienced as a “moral duty” face rooted in a positive motivational force that enhances the impact of AC on outcomes.

Also, Wasti (2005) reported the results of a second study, called “study-2”, in which she used a measure of continuance commitment that contained only “high sacrifices” items. This type of measure is considered to be more reflective of the CC construct than measures,
such as the original Allen and Meyer (1990) continuance commitment scale, which include “low alternatives” items as well (cf. Powell & Meyer, 2004; Jaros, 2009). The results of Wasti’s study-2 revealed that the high AC/NC profile did not significantly differ from the high-AC profile on intent to stay, work withdrawal, or job stress, again contradicting the two-faces concept. Moreover, the high NC/AC profile did not differ statistically from the high CC/NC profile on these outcomes either. Since the two-faces concept argues that the NC/AC profile should be characterized by a sense of “moral duty”, reflecting a positive, internally-motivated state, whereas the high NC/CC profile should be characterized by the more negatively-perceived external motivational state of “indebted obligation”, meaning the high NC/AC profile should have been associated with clearly higher levels of intent to stay and lower levels of work withdrawal and job stress, these findings contradict the two-faces concept even more strongly. Wasti herself concluded “Thus, it appears that affective commitment above a certain level yields desirable outcomes and accompanying high levels of normative and/or continuance commitment does not contribute significantly to the prediction of outcomes.” (p. 11), a conclusion that also is not consistent with two-faces theory.

Another study cited by Meyer and Parfyonova in support of the two-faces concept is Somers (2009). Somers examined the influence of commitment profiles on aspects of employee withdrawal and job stress. Meyer and Parfyonova (p. 287) argue that:

Somers (2009) … found that turnover intention was lowest among the fully-committed and AC/NC-dominant profile groups. Turnover intention for these groups was significantly lower than in the uncommitted and CC-dominant groups — more importantly, it was also lower than in the AC-dominant and CC/NC-dominant groups.

This is partially correct. While Somers (2009) did find that the AC/NC dominant group had significantly lower turnover intentions than the CC/NC dominant group, he did not find this to be true of the AC-dominant group, because this group did not emerge in the cluster analysis and thus no comparisons including this profile are reported. Also, while the high AC/NC profile was associated with lower levels of job stress and carryover stress than the high CC/NC profile, the high CC/NC and high AC/NC profiles did not significantly differ on job search and tardiness, and the high CC/NC profile was actually associated with lower absenteeism levels, all of which contradict two-faces theory. At best, these findings provide mixed support for the idea that an NC/AC profile is characterized by a “moral duty” motivation while a CC/NC profile is characterized by a less-motivating “indebted obligation” motivation.

Similarly, Meyer and Parfyonova cite another study by Somers (Somers, 2010) as supportive of the two-faces concept. Somers (2010) examined the relations between commitment profiles and actual turnover behavior. Meyer and Parfyonova state (p. 287) that:

When Somers (2010) compared profile groups on actual turnover, he again found the lowest rates in the fully-committed and AC/NC-dominant profile groups, although only the former differed significantly from the other groups.

Meyer and Parfyonova argue that this finding is supportive of the two faces concept, but contrary to two-faces theory, the AC/NC profile did not significantly differ from either the AC or CC/NC profiles with regard to turnover behavior or absenteeism (table 3, page 451). However, consistent with two-faces theory, the AC/NC profile did have higher levels of staying intentions and person-organizational value congruence than the AC or CC/NC profiles. Taken together, the findings of Somers (2010) provide mixed support for two-faces
theory, with relations with two outcomes being as predicted, but also two results that are unsupportive, and these unsupportive findings were with regard to actual work behaviors.

Yet another study cited by Meyer and Parfyonova as supportive of the two-faces concept is Marcovitz, Davis, and Van Dick (2007): Marcovitz, Davis, and van Dick (2007) found the highest levels of intrinsic job satisfaction among those with fully-committed, AC-dominant, and AC/NC-dominant profiles. The satisfaction of employees with CC/NC-dominant profiles was considerably lower and similar to that for the uncommitted and CC dominant profile groups. (p.288).

This account corresponds to my review of the Marcovitz et al. findings, but again, they are not entirely supportive of a two-faces view. While the two-faces concept does predict that the NC/AC profile will have higher levels of intrinsic job satisfaction than the NC/CC profile, it also proposes that the NC/AC profile will have higher levels of intrinsic job satisfaction than high AC profile, which was not found in this study.

Finally, since the publication of Meyer and Parfyonova (2010), two other studies have appeared that bear on the two-faces concept. Corstjens (2011) tested two-faces-related hypotheses on a sample of undergraduate and graduate business students studying in the Netherlands. His analysis found some support for the two-faces concept. Students with high AC/NC profiles had higher levels of perceived organizational support, saw themselves as having more of a relational psychological contract with the organization, and reported higher levels of relative autonomy than did students characterized by a high CC/NC profile. But, much of the evidence contradicted the two-faces theory: On only the “relational contract” factor was the AC/NC profile significantly different from the AC profile, nor did the AC/NC profile differ from the AC profile or the CC/NC profile on negative affect, positive affect, promotion motivational focus, prevention motivational focus, or perceptions of having a transactional psychological contract, all of which findings were contrary to Corstjen’s expectations that NC is characterized by “indebted obligation” and “moral imperative” dimensions.

Last but not least, Meyer, Stanley, and Porfyanova (2012) conducted a test of Meyer and Herscovitch hypotheses, including the two-faces theory, on a sample of human services workers. Unlike other studies, which employed either k-means cluster analysis or median splits to create commitment profiles, Meyer et al. (2012) used an advanced procedure, Latent Profile Analysis, to study differences across commitment profiles with respect to a variety of motivational and self-reported behavioral correlates, namely need satisfaction, autonomous vs. controlled regulation, in-role performance, positive and negative affect, general health, and work engagement. Meyer et al. (2012) argue that the finding that a high NC/AC profile was more strongly with favorable outcomes than was the high-CC only profile is supportive of the notion that when combined with high AC, NC is experienced as a moral duty. But, their LPA approach did not reveal the existence of a high NC/CC profile or a high AC profile in the sample and thus it was not possible to make comparisons assessing the central claims of the “two-faces” concept.

Summary of empirical research

Contrary to the view of Meyer and Parfyonova (2010), my conclusion is that the notion that normative commitment is characterized by a sense of “moral imperative” when experienced in conjunction with high levels of affective commitment but a sense of “indebted obligation” when experienced with a high level of continuance commitment is not strongly supported by the existing empirical evidence. Recall that according to the two-faces concept, a profile characterized by High NC and AC should be associated with significantly higher
levels of positive work correlates (like OCB) and lower levels of negative correlates (like turnover behavior) than the AC only profile, and especially, the high NC/CC profile. This latter profile, high NC/CC, should provide the starkest contrast with high NC/AC, since high NC/AC is the purest form of the “moral imperative” concept and high NC/CC is the purest form of the “indebted obligation” concept. To summarize the results described above and indicated in the Appendix, across the seven studies that have generated data that bear on the two-faces proposal, we find the following:

1) **High NC/AC vs High AC only**: Comparisons supporting two-faces theory: 7, comparisons inconsistent with the theory: 16.
2) **High NC/AC vs High NC/CC**: Comparisons supporting two-faces theory: 9, comparisons inconsistent with the theory: 13.

This pattern of results is not supportive of two-faces theory. For the comparison between the high NC/AC and high AC profiles, the non-support rate for the theory is 69% (7 supportive findings, 16 unsupportive findings), and for the NC/AC versus NC/CC comparison, the one that should show the starkest results in favor of the two-faces theory, fully 59% of the reported comparisons across all seven studies do not support this theory, only 41% are supportive of it. Thus, the available evidence seems to counter the idea elaborated by Meyer and Parfyonova (2010) that normative commitment has “two faces”, one characterized by “moral duty” when experienced with a high level of AC, and the other experienced as an “indebted obligation” when experienced with a high level of CC. This evidence, taken as a whole, suggests that “two faces” hypothesis is mostly inconsistent with the findings of relevant research. Yet importantly, when high NC does not contribute significantly, above and beyond what AC contributes, to the AC/NC profile’s association with favorable work outcomes, it never harmed that relationship either: the results from the seven studies show no cases where the AC/NC profile had significantly lower mean scores on favorable outcomes/correlates or higher mean scores on unfavorable outcomes/correlates, than did the high-AC only profile, meaning that when high NC did not help, it at least did not hurt, AC’s relationship with these correlates. Thus, these results, while unsupportive of two-faces theory, are also not supportive of Meyer and Herscovitch (2001), who predicted a tempering effect of high NC on the impact of high AC, such that the high-AC profile should have a more positive impact on favorable work outcomes than a high AC/NC profile.

**Motivational theory and normative commitment**


According to SDT, motivation varies along a continuum of autonomy, from external regulation (i.e., to attain externally controlled rewards or avoid punishment), through introjected regulation (i.e., to meet one’s own or others’ expectations and avoid shame), to fully autonomous regulation (i.e., to achieve valued goals and self-expression). Moreover, it has been shown that autonomous forms of motivation lead to more favorable job outcomes than less autonomous forms.

Meyer and Parfyonova propose that affective commitment is derived from work experiences that create a sense of autonomous regulation, which explains its strong positive relations with favorable job outcomes, while continuance commitment is associated with external regulation which explains its weak, sometimes even negative, relations with favorable job outcomes. In
contrast, they argue that normative commitment has a split personality, two faces which emerge depending on how AC and CC are being experienced. AC and CC influence how NC is experienced; they provide a context for it. If AC is high, then NC is experienced as a sense of “moral duty” characterized by autonomous regulation, and thus high NC significantly adds to high AC’s contributions to favorable job outcomes. In contrast, if CC is high (and AC is low), then NC adopts its other face, that of “indebted obligation”, a face rooted in introjected/external regulation, thus having only a weak, if any, positive impact on favorable job outcomes.

However, given that the empirical evidence reviewed in the previous section does not support the notion that NC is experienced as having two different dimensions, what motivational bases would explain these unsupportive research findings?

In their meta-analysis of the Meyer and Allen three-component model of commitment, Meyer et al. (2002) found that affective commitment was strongly associated with favorable job outcomes. Normative commitment was also associated with favorable job outcomes, “albeit not as strongly” (p. 20). Continuance commitment was found to be unrelated, or negatively related, to these kinds of outcomes. This conclusion is consistent with what is often found in previous studies of the three-component model utilizing regression analysis or structural equation modeling: Concerning favorable job outcomes, NC sometimes adds to the prediction of these outcomes above and beyond affective commitment, sometimes it does not (cf. Jaros, 2009; Bergman, 2006). This conclusion is also consistent with the results of the seven profiles studies analyzed above: Contrary to the two-faces hypothesis, sometimes, high NC adds to the positive relationship with favorable outcomes provided by high AC, sometimes it does not (i.e., sometimes, a high AC/NC profile is associated with a higher mean score on a favorable correlate than the high AC-alone profile, sometimes it isn’t).

So what motivational basis is consistent with these findings? Contrary to Meyer and Parfyonova (2010), who argue that high NC is characterized by autonomous regulation when experienced with high AC and external/introjected regulation when combined with high CC and low AC, I argue that NC is characterized generally, regardless of whether AC or CC is high or low, by introjected regulation. Deci & Ryan, (1985, 2002) describe introjected regulation as being in-between autonomous (internal) and external regulation: on one hand, the source for this form of motivation is external; involving factors such as meeting other’s expectations. On the other hand, the person has internalized these expectations, so they also are experienced, at least partially, as coming from within ourselves, as part of our own values and aspirations. Meyer and Parfyonova (2010) argue that introjected regulation underlies only the “negative” face of NC, that of “indebted obligation” (p. 288):

“….introjection has a conflicted nature and is associated with feelings of shame and guilt…. It is unlikely that such a form of motivation will lead to high levels of discretionary effort and, as such, cannot account for the evidence linking NC to OCB (Gellatly et al., 2006; Meyer et al., 2002) and discretionary support for organizational change….”

In my view, Meyer and Parfyonova err in assigning introjected regulation purely negative shading. It does have a conflicted nature, but this means it is not associated only with feelings such as shame and guilt. Since these external expectations have been partially internalized, they also reflect the person’s hopes and values (cf. Deci & Ryan, 2002), which can lead to positive motivational outcomes as well (Meyer, Becker, and Vandenberghe, 2004). This view also comports with the classic, unidimensional, conceptualization of
normative commitment, which is posited to reflect “.a sense of obligation that derives from the internalization of normative influences” (Meyer & Parfyonova, 2010: 284). An employee high in NC feels obliged to comply with organizational requirements (an external force), but these requirements have been internalized as correct (an internal force). Together, this describes an introjected motivational basis for NC, one that is lukewarm-positive compared to the purely-positive motivation of AC and the still-less-positive, sometimes negative, motivation of CC. Thus, while NC tends to have a positive relationship with favorable outcomes, this positive relationship is weaker than that of AC, such that in regression research it sometimes contributes positively to the prediction of favorable work outcomes above and beyond AC, sometimes it does not (Meyer et al., 2002); and in profiles research, sometimes high NC significantly contributes to the positive relationship (as reflected by mean scores) that high AC has with a favorable work outcome and sometimes it does not. What causes these different “sometimes” to manifest themselves is not yet known, but the evidence of existing empirical research is that the two-faces of NC hypothesis is clearly not the answer.

In summary, Self-Determination Theory does indeed seem to provide a sound motivational explanation for the empirical findings reviewed in the previous section, at least in terms of explaining the findings that, most of the time, a high NC/AC profile is not more strongly associated with favorable work correlates than a high AC-only profile. A unidimensional conceptualization of NC, characterized by introjected regulation, is also more consistent with the finding reported above that the NC/AC profile is often not differently-associated with positive work correlates when compared to the NC/CC profile: If NC only has a single “face”, and does not shade to “indebted obligation” or “moral duty” when combined with high CC and AC respectively, then the differences between these profiles will be only that reflective of a difference between high AC and high CC, meaning these profiles will have similar relations with favorable work correlates more often than if NC has “two faces” that widen the rift between these profiles and their comparative relations with these correlates.

**Conclusion: Two-faces reconsidered?**

The analysis presented here indicates that (a) the available empirical evidence is not supportive of a “two faces” reconceptualization of normative commitment, and (b) motivational theory is more supportive of the traditional unidimensional conceptualization of normative commitment centered on the concept of reciprocal obligation (cf. Meyer & Herscovitch, 2001). Nevertheless, it is possible that the available research does not provide enough evidence to conclusively reject the two-faces point of view. The most obvious reason is that there have only been seven studies conducted that test this hypothesis, a small sample size. This is why my review does not take the form of a quantitative integration of prior research findings, such as a meta-analysis – there are just too few existing studies to conduct one that would produce meaningful results. Maybe as research evidence accumulates, the existing seven studies will prove to be anomalous outliers swamped in a sea of evidence supportive of two-faces theory. Beyond that, there are some other issues not considered by Meyer and Parfyonova (2012) that could revitalize the two-faces concept.

One issue pertains to how normative commitment is measured. The original scale used to measure NC, the normative commitment scale (NCS), was developed by Allen and Meyer (1990). A revised scale, designed to better-differentiate NC from affective commitment, was introduced by Meyer, Allen, and Smith (1993), but this scale has proven to actually correlate more-strongly with AC than does the original Allen and Meyer version (cf. Meyer et al., 2002). There is also a growing recognition that the NCS, in either its 1990 or 1993 forms, has not evolved such as to keep up with more recent changes in its conceptualization (cf.
Bergman, 2006; Jaros 2007, Meyer & Parfyonova, 2010) such as the two-faces reconceptualization. These versions of the NCS, which were used in all seven studies cited above, were designed to assess, respectively, an employee’s sense of internalized norms (the 1990 NCS), while the 1993 version was revised somewhat to emphasize norms rooted more specifically in the employee’s sense of obligation to the organization (cf. Jaros, 2009), and these emphases are reflected in the item-wording of both versions of the NCS. The original eight-item 1990 NCS has items that vaguely allude to being loyal to one’s organization. These items do not seem squarely focused on either indebted obligation or moral duty.

In contrast, two of the six items of the 1993 NCS contain the word “obligation”, as in “I do not feel any obligation to remain with my current employer”. Other items mention remaining with the organization as something to be done to avoid “feeling guilty” if the employee were to leave. Generally speaking, the items in the 1993 NCS seem to shade much closer to a sense of “indebted obligation”, a sense that one must remain or else one will experience social or psychological costs. In contrast, arguably none of the items clearly reflect the notion of “moral duty”, which Meyer and Parfyonova (2010) describe as a “strong desire” to remain because it is the right and moral thing to do.

Thus, it may be that the seven studies analyzed above did not reveal a preponderance of profile relationships with favorable job correlates consistent with two-faces theory because the measures used to capture normative commitment did not tap these “faces”. Perhaps it is the case that to properly assess whether normative commitment is a bi-dimensional construct, these dimensions or “faces” should be tapped directly. For example, an item such as “I believe it is morally correct to dedicate myself to this organization” would seem to directly tap the “moral duty” dimension, whereas an item such as “Since this organization has treated me well, I would feel guilty if I were to leave it” would seem to capture the concept of “indebted obligation” (cf. Jaros, 2007). If the NCS were revised to contain two sub-scales, each with multiple items specifically dedicated to capturing the indebted obligation and moral duty dimensions, then perhaps empirical research into commitment profiles would indeed show findings more consistent with the two-faces hypothesis.

On the other hand, there are reasons to be doubt whether even a more accurate measurement of the two proposed dimensions of NC will produce findings more favorable to the theory. Many of these studies have utilized measures of continuance commitment that do not reflect that construct very well. Continuance commitment is typically measured using the eight-item CCS (Allen and Meyer, 1990). Factor-analytic findings show that, contrary to the intent of its developers, this scale tends to break down into two distinct factors, one representing economic and social sacrifices that would have to be made in order to leave the organization, the other a perceived lack of employment alternatives (cf. McGee & Ford, 1987). Many researchers argue that the “sacrifices” sub-dimension is consistent with the concept of CC, whereas the “alternatives” sub-dimension is not (for full discussions, see Meyer et al. 2002; Powell & Meyer, 2004; Jaros, forthcoming). These researchers recommend deleting the “alternatives” items from the CCS, yet in all but one of the seven profiles studies examined above, researchers used versions of the CCS that included “alternatives” items, the lone exception being Wasti (2005)’s second study.

While again far from conclusive, the results of Wasti’s second study do not bode well for two-faces theory. Using a measure of CC that included only “sacrifices” items, the second study found no significant differences between the high NC/AC profile and the high NC/CC profile across three outcomes: turnover intentions, work withdrawal, and job stress. Since these profiles embody the purest forms of the proposed “moral duty” and “indebted obligations” mindsets, these results are particularly unsupportive. In contrast, in studies that
used a measure of CC that included “alternatives” items, the findings vis-à-vis the high NC/CC profile were supportive of two-faces theory about 50% of the time (9 supportive, 10 unsupportive). Why might using a measure of CC devoid of “alternatives” items be less likely to produce profile results consistent with two-faces theory? Recall that according to two-faces theory, CC is characterized by external compulsion, which people tend to naturally resist. Wanting to leave one’s organization but being compelled to remain due to a lack of other employment alternatives would indeed seem likely to cause an employee to feel locked in place against one’s will, an unpleasant situation. But Powell and Meyer (2004) and Jaros (2007) note that “sacrifices” can have a positive connotation. For example, if an employee remains with his/her organization because they have built a rich set of rewarding social relationships at work that would have to be sacrificed if they left, it is likely that they would view this situation in a positive, not negative, light. Remaining with the organization would be something desired by the employee, not something to be resented. And indeed, Powell and Meyer (2004) found a strong positive correlation (.34, p < .01) between “sacrifices” only CC and affective commitment, which was at odds with meta-analytic research showing that CC, when measured using scales including “alternatives” items, and AC are essentially uncorrelated (Meyer et al., 2002). This means that a basic belief underlying two-faces theory, that CC is experienced in a quasi-“negative”, externally-compelled way, may not be correct, and thus if NC is actually being influenced by a CC that is more pleasant/positive in nature, then the “shading” of NC should be more positive, more consistent with one’s desires, as well. If so, these “two faces” should no longer be conceptualized so starkly different, if they should be regarded as separate ‘faces’ at all, and are unlikely to be revealed as such in empirical research using “sacrifices” only measures of CC.

Also, there is some evidence that normative commitment is a more salient, powerful predictor of favorable work outcomes in non-western cultures (cf. Bergman, 2006; Meyer & Parfyonova, 2010), cultures that have more collectivist cultural values that socialize people into respecting their obligations to organizations. This implies that the two-faces hypothesis, which posits that high NC adds to the prediction of favorable work outcomes above and beyond high AC, is likely to be more valid in these cultural contexts. But, it could also be true that in collectivist cultures, high NC would add more to the prediction of favorable work outcomes when combined with high CC as well, thus negating a “two faces” effect. To date, only two of the profile studies reviewed above have been conducted in a non-western culture, those reported in Wasti (2005), which tapped samples of Turkish workers. While the results of this study are not encouraging to two-faces theory (see Appendix), Turkey is not as fully-collectivist as other cultures, particularly those in East Asia, such as China and Japan. Future research is needed that assesses the two-faces hypothesis via studies of employees in this part of the world.

The study of organizational commitment continues to remain relevant to both management scholars and practitioners. As companies operating in dynamic, global markets seek to cut costs wherever possible, they have an interest in motivating employees to engage in favorable work behaviors such as exceptional job performance and OCB activities, as well as to not engage in unfavorable behaviors such as absenteeism and tardiness. The available research suggests a modest role in this process for normative commitment, sometimes adding to the positive impact of affective commitment on favorable work outcomes, sometimes not, but not tempering/harming that impact, meaning that managers interested in gaining the benefits of having highly committed employees should still seek to foster this form of commitment among them, since it will seemingly either help foster more favorable work outcomes or else have a neutral, non-harmful, effect. While this available evidence does not
support a “two faces” reconceptualization, and our assessment of motivational bases and measurement issues suggest that future evidence is unlikely to be supportive, this evidence is not conclusive, and future research, particularly studies that address the measurement and cultural issues discussed above, is needed to provide a definitive assessment.

REFERENCES


APPENDIX:
SUMMARY OF EMPIRICAL RESULTS ASSESSING THE “TWO FACES OF NC” PROPOSAL

A **Yes** in a cell indicates the result is consistent with “two-faces” hypotheses, except for those indicated by “wrong direction”. **No** indicates that the result is inconsistent with “two-faces” hypothesis. Blank cells indicate the profile comparison was not evaluated in the study.

<table>
<thead>
<tr>
<th>Study</th>
<th>Correlates</th>
<th>Significant mean differences between the high AC/NC profile and …</th>
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<tr>
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<td>High AC</td>
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<tr>
<td>Gellatly et al. (2006)</td>
<td>Intent to stay OCB</td>
<td>Yes</td>
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<tr>
<td>Wasti (2005)A</td>
<td>Turnover intent</td>
<td>Yes</td>
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<td></td>
<td>Work withdraw</td>
<td>No</td>
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<td></td>
<td>Loyal booster altruism</td>
<td>Yes</td>
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<td></td>
<td>Job stress</td>
<td>No</td>
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<td>Wasti (2005)B</td>
<td>Turnover intent</td>
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<td></td>
<td>Work withdraw</td>
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<td>Somers (2009)</td>
<td>Turnover intent</td>
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<td></td>
<td>Job search</td>
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<td></td>
<td>Lateness</td>
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<td>Job stress</td>
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<td>Somers (2010)</td>
<td>Carryover stress</td>
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<td>Turnover intent</td>
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<td>Turnover</td>
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<td></td>
<td>Absence</td>
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<td>Person-Org Fit</td>
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<td>Intrinsic JS</td>
<td>No</td>
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<td>Corstjens (2011)</td>
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<td>Positive Affect</td>
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<td>Prevent-Focus</td>
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<td>Promo-Focus</td>
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<td>Relative autonomy</td>
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EXPLORATION AND EXPLOITATION IN THE FACE OF INSTITUTIONAL CONSTRAINTS

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ABSTRACT

The number of articles concerning exploration and exploitation has multiplied since the seminal piece by March (1991), yet many would argue that a cohesive and complete theory of organizational learning has yet to emerge (Crossan, Maurer, & White, 2011). We apply the theoretical perspectives of the resource-based view of the firm (Barney, 1991) and institutional theory (DiMaggio & Powell, 1983) to help advanced our understanding of the relationship between organizational learning and performance. We argue that firms are constrained by firm resources, that determine the overall ability of a firm to achieve performance levels, by firm structures, that limit efficiency but provide legitimacy, and by institutional and market forces, that guide and direct the firm in its individual decisions. In order to maximize performance firms must successfully choose among multiple constraint and reward structures.

EXPLORATION AND EXPLOITATION IN THE FACE OF INSTITUTIONAL CONSTRAINTS

The seminal piece in the organizational learning literature, March (1991), has over 2,300 citations according to ISI Thompson citations index. While the vast numbers of articles on organizational learning has demonstrated that it can draw the attention of both practitioners and researchers alike, a lot has still been left unexplored. Crossan, Maurer, & White (2011) have argued that despite the advances made in the field, a cohesive theoretical perspective has yet to develop. As the rate of change in competitive environments increases exponentially, the motivation by which organizations add new knowledge to their existing knowledge stocks and by which they develop and improve products and processes and enter or explore existing markets becomes increasingly important to understand. Although the organizational learning literature, in the context of explore and exploit decisions, has been examined in multiple contexts and domains, there remains a scarcity of literature that examines why the firm makes those decisions in light of various environmental and firm constraints.

March (1991) emphasized the role of balancing both the need to exploit current knowledge stocks for sustained and sure returns but to also explore new areas in order to discover and innovate new solutions and products. Since then, the balance between proper levels of exploration and exploitation and how firms achieve that balance, has been of particular interest to researchers and practitioners alike (e.g. Aspara, Tikkanen, Pontiskoski, & Jarvensivu, 2011; Fang, Lee, & Schilling, 2010; Gupta, Smith, & Shalley, 2006; Kauppila, 2010; Lavie & Rosenkopf, 2006; Lavie, Stettner, & Tushman, 2010; Raisch, Birkinshaw, Probst, & Tushman, 2009). We argue that in order to understand where the proper balance for the firms lies that maximizes financial returns and ensures long term survival, we must consider the firm and the field in which it acts (Gustafsson & Autio, 2011). Although Crossan et al. (2011) recognized the need to consider the institutional contexts of firm decisions, and Friedland & Alford (1991) argued that we cannot understand firm decisions without the social contexts in which they are made, there remains a lack of research examining organizational learning and institutional influences simultaneously.
The resource-based view of the firm can help enlighten the possible courses of action that the firm has available to it, but to understand why the firm chooses to make its particular choice, we must first consider the organizational field in which it participates. We first highlight key points in the organizational learning, resource-based, and institutional theory literatures. Second, we develop propositions on how resources influence the exploration and exploitation choices available to the firm, how the organizational field influences and limits the structure of the firm reducing the number of viable options, and lastly we discuss how the organizational field further helps reduce the possible choices the firm will make. Lastly, we address conclusions and limitations within our theory development.

THEORY

As noted, we attempt to integrate the resource-based view of the firm and institutional theory to contribute to our understanding of organizational learning literature and firm choices to explore and exploit. We first offer a brief review of the organizational learning literature, then of the resource-based literature, and lastly of institutional theory.

Organizational Learning

All firm actions require learning at some level (Gupta et al., 2006), thus those firms that learn the best have a strategic advantage over those firms that struggle with adding and using new knowledge to the benefit of the firm. The use of the terms exploration and exploitation to describe broad categories of learning was popularized by March (1991). March described exploitative learning as being a refinement of existing knowledge, products, or procedures. Exploitative learning takes existing knowledge and learns how to better implement, execute, or extend it. In contrast, explorative learning involves search and risk taking in an attempt to identify possible new solutions. Explorative learning is a process of discovery and experimentation that results in traditional concepts of innovation and variety.

While typically operationalized within the strategic literature using patent classes, with the citation of previously used patent classes indicating exploitation, and new classes representing exploration (e.g. Phelps, 2010), others have argued that the terms can be used in any number of ways to include firm decisions to develop or create new products, cultivate or enter new markets, or to become more efficient at current technology over adopting new technology (e.g. Beckman, 2006; Cao, Xi, & Zeng, 2008; He & Wong, 2004). Related is the concept of absorptive capacity, the firm’s ability to identify, assimilate, and capitalize upon information to commercial ends (Cohen & Levinthal, 1990). To further clarify the relationship Lane, Koka, and Pathak (2006) divided absorptive capacity into three different types of learning: exploratory, transformative, and exploitative learning. In this paper, we use exploration and exploitation specifically in regards to the creation or improvement of products, respectively, although the arguments could easily be extended to reflect processes or markets.

Although the basic concepts of exploration and exploitation are very well understood, there are at least two issues that remain unresolved. The first is in regards to the relationship between exploitation and exploration, that is, are the concepts two ends of one continuum, or are they orthogonal with each concept representing a distinct category. In the seminal piece, March (1991) argues that the concepts are along a single continuum and rests the argument
upon the assumption of limited or scarce resources. That is, to over simplify the argument, because resources are limited firms must choose to allocate resources either to one activity or another, as a result firms cannot pursue either exploration or exploitation without sacrificing their ability to pursue the other. In response, others have argued that not all resources are scarce or limited. Take for instance knowledge, which is not consumed, and can be considered infinitely reusable and in some instances obtained with minimal costs (Gupta et al., 2006). This can be seen in Katila & Ahuja (2002), who conceptualize exploration and exploitation as orthogonal and operationalize them as the scope and depth of patent citations and also in He & Wong (2004) who operationalize them as separate innovation strategies. While there are intangible resources that do not function as traditional tangible resources, March (1991) also proposes that, because each type of learning is reinforced through different organizational structures, the pursuit of one leaves the firm ill-positioned to pursue the other. In this tradition several have conceptualized the concepts as continuous and have operationalized them as such, for instance Lavie & Rosenkopf (2006), Miller, Zhao, & Calantone (2006) and Phelps (2010). We have adopted the conceptualization of the concepts as continuous. Although some resources may not be consumable, the firm is limited in its ability to pursue both strategies if by nothing other than time.

The other issue that remains contested is how the firm can optimally balance the need to explore and exploit. While this paper intends to highlight where exactly that optimal balance lies, previous researchers have looked at the means by which firms are able to balance the two demands. Within this stream of study, researchers have proposed two basic solutions, either a punctuated equilibrium model that looks at the firm engaging in only one type of activity at a time and switching between the two, so that over time the firm balances between both demands (e.g. Perretti & Negro, 2006) and a more popular stream that looks at ambidexterity, that is how firms can balance the between both activities at the same time by managing either different organizational structures or relationships (e.g. Tushman & O'Reilly, 1996; Phelps, 2010). It must also be noted that there is a third stream, albeit not as popular or researched, that argues that firms cannot balance between both activities and instead should specialize in either exploitation or exploration (Benner & Tushman, 2003).

The question of where balance lies hinges on the content in which exploration and exploitation are viewed. For instance Piao (2010) consider them in the context of product development within the hard disk drive industry and came to the conclusion that exploitation follows exploration, and should be done with some temporal overlap. Similarly, Dittrich & Duysters (2007) considered the issue within the context of alliance networks and concluded that firms must form alliances for exploration purposes before exploitation purposes. Both these studies imply that knowledge must first be gathered then applied. Taking the firm as a whole, with the development of multiple products and activities, arguments for ambidexterity become much stronger. Lavie & Rosenkopf (2006) argued that firms balance both across time and across domains, such that as a whole the firm is balanced although within a particular domain, they heavily focus upon one activity or another. Similarly Raisch et al. (2009) looked at balancing across multiple levels and Vos, Sirdeshmukh, & Voss (2008) looked mainly across domains. We adopt a related position throughout this paper; in particular, Benner & Tushman (2002) proposed that the exploration and exploitation controversy can be viewed on a scale of newness. We suggest that in the context of product development, firms must choose for each product, how “new” products will be interpreted by the organizational
field, and then must have a portfolio that matches that newness for the specific competitive context of the firm.

**Resource-Based View Of The Firm**

The resource-based view of the firm, helps to bring clarity to how balance can be achieved within the context of the exploration-exploitation dilemma. Originally Barney (1991) argued that abnormal rents can be earned from resources to the extent that they are valuable, rare, inimitable, and non-substitutable; later Barney proposed the VIRO framework, under the VRIO framework a firm's resources must be valuable, rare, inimitable, and the firm must be properly organized to take advantage of the resources in order to have a sustainable competitive advantage.

While the main thrust of the resource-based view is that a firm achieves sustainable competitive advantage by acquiring and controlling valuable, rare, inimitable, non-substitutable resources and by having the organizational structures available to use them (Barney, 1991; Ray, Barney, & Muhanna, 2004), the perspective contributes to the organizational learning literature through its fundamental assertions. Barney (1991) argued that what separated RBV from the traditional, historical schools of thought at the time was that he, Barney, assumed firms were heterogeneous in regards to strategically relevant assets and that assets are not perfectly mobile. In contrast the traditional IO perspectives that assumed that firms are homogenous in terms of strategically relevant resource allocations within an industry or strategic group and that resources are highly mobile such that any differences will be short lived. These important distinctions enlighten the discussions on balance between exploration-exploitation, arguing that the optimum balance for a firm must be determined in light of the resource allocation and organization of the firm; Specifically an overarching, industry or business wide prescription for balance is not possible to determine. As a matter of necessity, researchers looking to examine the issue must first consider the collection of resources held by the firm in determining the proper course of strategic decisions (Conner, 1991; Penrose, 1959; Wernerfelt, 1984). Further, under the resource-based view, the firm is viewed as a bundle of productive resources (Penrose, 1959) that are accumulated over time rather than acquired (Dierickx & Cool, 1989). It is this path dependency that further limits the firm and helps enlighten our discussions on organizational learning and the role of institutional pressures.

**Institutional Theory**

Institutional theory is concerned with the processes and pressures within an environment that lead firms to adopt similar structures in an attempt to gain legitimacy, with the outcome being isomorphism (Hawely, 1968). Most notable within this field is the work by DiMaggio & Powell (1983) who argued for two specific types of isomorphic pressures, competitive and institutional, although Powell (1991) argued that both market and institutional pressures were the same in that they amount to economic pressures to conform. Institutional isomorphism has focused on three specific types of pressure: coercive, mimetic, and normative, (DiMaggio & Powell, 1983) although a different classification by Scott (1991) has looked at seven different forms. Coercive isomorphic pressures examine both the formal and informal power distributions that allow actors within an organizational field to force organizations to become similar. Coercive pressure generally rests upon the expectations of social actors (DiMaggio &
Mimetic pressures occur traditionally in the context of uncertainty and ambiguity, by copying the formal structures and procedures of other “legitimate” organizations firms can avoid claims of negligence (Meyer & Rowan, 1977). Finally, normative isomorphism occurs traditionally through professionalization of the organizational field. That is, as industries become more standard, affiliations and trade organizations grow, as well as the adoption of common hiring practices, firms naturally begin the assume similar structures because thinking becomes aligned due to common contact (DiMaggio & Powell, 1983).

Although the traditional explanation of why firms tend to exhibit similar structures had been that those were simply more efficient structures, institutional theory challenges this idea. Meyer & Rowan (1977) argued that structures were built to obtain legitimacy and were developed as a result of highly rationalized myths. Rather than structures being adopting for efficiency, institutional pressures forces firms to adopt structures despite their inefficiency to satisfy actors within the social field (DiMaggio & Powell, 1983). We argue that the nature of products and services provided by firms may also provide signals to confer legitimacy (DiMaggio & Powell, 1991). The similarity in structure, culture, and output is a result of these pressures. Rather than organizational decisions being about rational optimization choices, decisions are made within the contexts of rules and guidelines established by suppliers, consumers, regulatory agencies, and other competitors (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Powell & DiMaggio, 1991). Further, we will argue that the product offerings can also be used to confer legitimacy.

THEORY DEVELOPMENT

Resources And Exploration Decisions

From the resource-based view of the firm, a firm is a bundle of productive resources (Penrose, 1959). How a firm allocates it particular resources has been considered the missing link between strategy and performance (Collis & Montgomery, 2008). The managers within an organization must choose exactly how to allocate those resources to different activities within the firm (Fliqstein, 1991), this is true also for the exploration and exploitation decisions of firms. Thus how the firm choices to allocate its particular resource set has specific implications for the performance that firms can achieve.

While some resources allow multiple and distinct uses other resources constrain their possible uses by their very nature. For instance, knowledge of particular legislation can be used to make sure a firm is in compliance, find avenues to obtain gain, or be used as a basis to offer consulting; while a piece of manufacturing equipment is much more limited in its potential use, it can create a product, which even then based upon the design of the equipment can vary in the amount of flexibility allotted, it may be relatively easy to retool or rather difficult. Different resources have different potential uses in the pursuit of exploration and exploitation; for instance in the context of value chain activities, exploitation has been viewed in terms of the marketing activities of firms, while exploration has been viewed as R&D activities (Lavie et al., 2010). Different resources and organizational structures are required to engage in either marketing or research and development. Can a high speed centrifuge be used for marketing purposes? Aside from possibly starring in a commercial, probably not.
Since, in any given time period, resources are limited, and in extremely short periods can be viewed as fixed (Penrose, 1959), the firm must choose to allocate resources to each learning activity, and also must determine the amount of activity that it can support among other firm requirements. The firm must determine both the allocation of resources to balance between exploration and exploitation and must decide upon the magnitude of each activity (Cao, Gedajlovic, & Zhang, 2009).

While the firm might be tempted to focus upon only exploration or exploitation in order to capitalize on economies of scale, to do so would be a fallacy. March (1991) warns against what he calls the “fallacy of failure” and the “fallacy of success.” By its very nature, the pursuit of exploration is risky and it’s outcomes and rewards distant and uncertain. A firm that engages in only exploration is not able to capitalize on the new knowledge it discovers, thus wasting competitive advantages. On the other hand, the emphasis on only exploitation causes the firm to become oblivious to external circumstances and reduces, if not eliminates the firm’s ability to adapt over time. These relationships are borne out in the research as multiple studies have demonstrated that pure exploitation or exploration is sub-optimal over time (Bierly & Chakrabarti, 1996; Gupta et al., 2006). Both Lechner, Frankenberger, & Floyd (2010) and Nooteboom, Van Haverbeke, Duysters, Gilsing, & Van den Oord (2007) found that the pursuit of pure strategies resulted in lower performance; Lechner et al. (2010) in the context of networks and alliances and Nooteboom et al. (2007) in the context of innovation.

Since a firm’s resources limit the strategic options available to a firm and the firm is limited in its resource allocations in a given time period, the options available to the firm and thus the firm’s possible performance outcomes is also limited. Since the literature suggests that different types of resources are better used for some purposes rather than others and that pure exploitation or exploration strategies are sub-optimal, we offer the following proposition:

Proposition 1a: There is an inverted-U relationship between the level of exploration of a firm and performance.
Implied within our reasoning is that resources can act both as constraints and authorization to pursue firm activities. The more resources available to a firm the greater the firm’s ability to act (Hoffmann, 2007), in a much as bundles of resources in a firm are considered as opposed to specific resources. This argument is further supported by Anand, Ward, & Tatikonda (2010) who found that existing capabilities shaped how firms developed. However, the possession of resources is not a sufficient condition to allow for more strategic options. Resources must not only be available for use, but must also be capable of being used in multiple capacities, in order for the firm to be able to use them to pursue those strategic options. Thus we argue:

**Proposition 1b: The exact relationship between firm performance and levels of exploration will be firm specific, such that resource rich firms (firms with slack resources) will tend to have a performance curve that is more platykurtic and resource constrained firms (firms without slack resources) will tend to have a performance curve that is more leptokurtic.**

As a result of the distribution, resource constrained firms will suffer more than resource rich firms from failing to balance exploration and exploitation decisions. The more platykurtic the distribution, that is the more slack resources available to a firm, the larger the area available to achieve near optimal returns.
Structure And Exploration Decisions

As noted by DiMaggio & Powell (1991) organizational forms and structures develop based upon adherence to rules established by expectations and not based upon efficiency or optimization. Friedland & Alford (1991) argue that organizations that are in proper forms are not more efficient or inherently better fit to produce outcomes than other forms, but rather are the forms that elicit the largest amount of additional resources and legitimacy. That is to say, firms do not seek out the most optimal firm structure in terms of efficiency, but rather most optimal structure in terms of legitimacy and access to resources.

Parsons (1960) defined legitimacy as “social evaluations of organizational goals that give rights to societal resources.” Rather than seeking to become an objective “best” at producing a specific product or services, firms are incentivized by their social context to adopt particular forms in order to obtain legitimacy. This legitimacy provides support and validation for the existence of an organization and its stated and pursued goals, but more importantly, this provides access to social resources otherwise unavailable to the firm (Scott, 1987; Scott & Meyer, 1991).

Due to the expectations of actors within an organizational field the structure firms adopt will not necessarily be optimal, but rather will be what is expected and minimizes the risk of lost legitimacy to the firm (Meyer & Rowan, 1977). Hoffmann (2007) argued that in instances of low strategic uncertainty firms will choose to exploit current resources because returns tend to be positive, proximate, and predictable (Koza & Lewin, 1998). This is further supported by Baum & Dahlin (2007) who argued that it is only after the failure of exploitation to meet aspirations that firms pursue exploration. These findings raise the question, when environments are sufficiently calm and expectations are being meet, why do firms choose to primarily exploit?

We argue the phenomenon is due to industry structures that have already gained legitimacy, firms can access the safety of legitimated structures by remaining in areas that have already
been accepted. Beckman, Haunschild, & Phillips (2004) support our argument in the development of the differences between types of uncertainty the firm is experiencing, that is, market-level versus firm-specific uncertainty. Beckman et al. (2004) operationalize firm-specific uncertainty in light of stock price volatility for a particular firm, while market level uncertainty is measured by volatility across the industry; they find that market uncertainty drives firms to exploit, not to explore. As the characteristics of the industry become more volatile, firms exploit in order to minimize risk and the chance of losing legitimacy from deviating from past strategies that had gained legitimacy. Whereas as firm specific volatility forces firms to explore in order to find strategies that stabilize returns and minimize volatility. When faced with changing industry expectations, firms retreat into exploitation assuming that legitimacy, and thus survival, can be secured by reconfirming the legitimacy of established structures and institutions.

Further, Cantwell & Mudambi (2005) suggest that exploration tends to be supply driven while exploitation tends to be demand driven, implying that firms maintain exploitation as a direct result of the expectation of organizational actors. Farjoun (2010) argued that stability within mechanisms and outcomes drives exploitation while change in mechanisms and outcomes leads to exploration. It is our argument that since the firm is embedded within an organizational field that cues regarding expected outcomes are enlightened if not wholly determined by social actors outside of the firm. For instance, due to the history of older firms, customers maintain a clear and more stable expectation of firm actions, and as a result provide an incentive to maintain the status quo, thus leading to exploitation. This is an argument supported in part by Flier, Van Den Bosch, & Volberda (2003) who found that incumbent firms possessed similar financial ratios, and by Gilsling & Nooteboom (2006) who found a relationship between pressures to conform and exploitation/exploration cycles.

We argue that the structure an organization adopts will be one that favors either an exploration or exploitation innovation strategy. An argument supported by the findings of Fang, Jiang, Makino, & Beamish (2010) who found that high levels of fragmentation within firms reduced exploitation while increasing exploration. Further, our argument is supported by McNarma & Baden-Fuller (2007) who found different conclusions concerning the balance between exploration dependent upon firm’s size, we argue that his reflects differing expectations and allowances based upon organizational characteristics. In a more direct examination of our argument Perretti & Negro (2006) found that there are different expectation for firms classified as “old-timers” and “new-timers.” We offer the following propositions:

*Proposition 2a*: The exact relationship between firm performance and levels of exploration will be firm specific, such that larger firms will tend to have a performance curve that is positively skewed.

*Proposition 2b*: The exact relationship between firm performance and levels of exploration will be firm specific, such that smaller firms will tend to have a performance curve that is negatively skewed.
Social Actors And Exploration Decisions

Organizations can be viewed as social actors within institutional and competitive fields (King, Felin, & Whetten, 2010), where institutional fields can be seen to be comprised of suppliers, consumers, regulatory agencies, and other competitors (DiMaggio & Powell, 1983). It is important to consider actors with the institutional field as both Friedland & Alford (1991) and Scott & Meyer (1982, 1991) argue that social actors within an organization’s institutional field can critically influence the performance of the focal firm; Friedland & Alford (1991) develop the argument farther suggesting that institutions can constrain both the means and the ends. Friedland & Alford (1991) assertions are supported by Hall et al. (2001) findings that social actors with the organizational field, specifically customers, have different expectations regarding the actions of firms based upon firm age, whereas Benner & Tushman (2003) found that different innovation approaches must be taken to attract different customer types, either current or emergent.

Although these findings are not normally positioned in light of legitimacy arguments, we contend that many of the relationships found within the literature concerning firm size or age, customers or product strategies, exploration and exploitation strategies and performance, are a result of legitimacy judgments made on the part of social actors within the focal firms organizational field. This argument finds support with the findings of Jonsson, Greve, & Fujisawa-Greve (2009) who found that more easily observable characteristics were significantly related to losses of legitimacy. The main argument here is that firms are subject to legitimacy judgments that offer constraints or liberties to pursue certain actions. While legitimacy is generally seen as a constraining force, limiting firm options and actions, this is not necessarily the case, legitimacy also offers protection from poor decisions. Support for this argument can be found with Haas (2006), who suggested that if exploration is inherently uncertain and risky, then when a firm engages in exploration the motivation to do so must go beyond their risk preferences. We argue that in certain contexts firms pursue exploration because institutional field offers a buffer of legitimacy to reduce the risk to the firm. The firm’s choices, not only in exploration but also exploitation, are motivated by the legitimacy judgments of social actors within the organizations field. This is further partially supported by Hagedoorn & Duysters (2002) who found that network characteristics constrains the type of learning strategy choices that bring positive returns.

Meyer & Rowan (1977) argued that firms built structures to seem legitimate although they might be loosely coupled with the firm’s internal actions and beliefs. Jonsson et al. (2009) found that firms with similar organizational characteristics were more likely to experience losses of legitimacy from other firms deviant acts; finding specifically a positive relationship between easily accessible and visible organizational characteristics and losses of legitimacy. We argue that the outcomes of a firm’s R&D activities, products, can also be used as a point of evaluation to assign legitimacy because the outcome is easily accessed (by customers), visible, and evaluated. However, care must be taken to not ignore the role of firm structures in addition to legitimacy; Powell (1991) argued that the issue was one of joint optimization, the need to balance inefficient structures with access to socially controlled resources. This leads us to our next proposition:

Proposition 3a: Social actors within the organizational field in which a firm competes have specific preferences concerning levels of exploration, given an industry, and given specific firm characteristics.
Although an organizational field can be very broadly defined to include multiple actors that have very little impact in to the life of the focal firm, King et al (2010) argued that of particular interest are communities, the state, the market, and other individual social actors; we suggest the need to consider customers, investors, government, and co-opetitors. While the specific actors of interest is open for discussion, what should be clear is that social actors within an organizational field have the ability to reward or constrain actions through legitimacy and access to social resources, this is a fundamental argument made by institutional theory literature (e.g. Fligstein, 1991; Jepperson & Meyer, 1991; Scott & Meyer, 1991). Be it through market forces such as supply and demand (Brint & Karabel, 1991), through institutional forces (Powell, 1991) or some other higher order constraint or empowerment, there are multiple reasons to suggest that social actors reward or punish firms that align or deviate with their expectations.

**Proposition 3b:** Social actors within an organizational field will have the ability to reward or punish firms that do not accommodate their expectations.

**Resources, Structure, And Social Actors**

We argue that the optimal balance between a firm's need to explore and exploit for organizational survival is dependent upon a variety of factors. Among these factors we have highlighted the role of resources, arguing that they shape the set of possible actions available to a firm and offer a limit to the possible performance, the role of structure, arguing that particular firm characteristics predispose the firm to particular actions, and further, in consideration of the role of social actors, that firm characteristics serve as indicators for making legitimacy judgments concerning the firm. Taking all these items into consideration we propose:

**Proposition 4:** Firm performance is determined by the level of exploration that can be supported by the firm’s existent resource base and by the expectations of external social actors within the organizational field in which it competes.

**CONCLUSION**

We attempt to integrate conclusions from institutional theory and resourced-based views to better our understanding of the firm’s decision to either explore or exploit. In the context of innovation, our understanding of why firms choose to innovate and what prevents others from doing so becomes extremely important. We contribute to the current literature by beginning to lay a base model as to how institutional and resources views may combine to explain the link between a firm’s exploration and exploitation decisions and firm performance. Specifically suggesting that internal resources set the boundaries of what the firm can achieve, while external social actors shape those boundaries according to firm specific expectations.

We have several limitations, first, our paper is admittedly simple in the suggested propositions that it makes. We have attempted to provide as concise a model as possible to help explain the linkage between organizational learning and performance, and in so doing leave out several considerations. For instance, our model takes for granted the existence and strength of institutions within competitive environments. Although we recognize that the strength and expression of those institutional forces will vary, we do not attempt to develop the relationship. Further, our model does not account for the complex relationship between
firms, firm actions, and institutional actors and forces; while institutional forces constrain or reward the firm, firms and firm actions collectively determine and inform the institutional forces that constrain them. Also, we do not discuss how a firm chooses to satisfy multiple social actors within institutional fields that may have conflicting demands. Lastly, testing empirically hypotheses derived from our propositions presents a challenge methodologically as levels of analysis are crossed and data is not readily available. To appropriately test the full model, data from multiple actors from each group, customers, investors, government, etc., would need to be collected and aggregated, then weighed according to the weighting scheme of the focal organization.

Our paper can be expanded to offer several practical suggestions to managers within firms: first, firms must understand the preferences and expectations of social actors within their organizational field before determining objectives of the firm; second, deviation from the expectations of social actors within the organizational field is more likely to lead to failure than is an overly strong or poorly implemented approach to either exploration or exploitation; and thirdly, the decisions to compete need to be made in light of the firms current and near future resource base.

REFERENCES


INDUSTRY DYNAMISM: ELEMENTS OF INDUSTRY CHANGE
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ABSTRACT

Strategy has tended to be about firm success. One important factor in firm success is the industry in which the firm is embedded. As such being embedded in a growing, dynamic industry should be an important consideration for the firm. It would seem important that firms proactively seek to improve industry performance as well as their own performance since the two are inextricably tied. However, the primary focus of strategy has been on firm-level effects, not industry-level effects. This paper suggests that it may be useful in some instances to shift the level of analysis to the industry level and move part of the strategy conversation to how firms can proactively and positively affect industry dynamics. Dynamical systems analysis is used to examine the effects that firms can have on industry dynamism and industry change patterns.

INDUSTRY DYNAMISM: ELEMENTS OF INDUSTRY CHANGE

Much of strategy research (Cockburn, Henderson, & Stern, 2000) and practitioner actions (Welch & Byrne, 2001) are focused on understanding and achieving a competitive advantage, respectively. The explanation as to why some firms succeed at achieving competitive advantage and other firms fail has run the gamut from the internal structure and processes of the firm (Chandler, 1962), to the effects of industry structure on the firm (Porter, 1980), to the valuable resources of the firm (Barney, 1991). Two historical paradigm shifters (Hoskisson, Hitt, Wan, & Yiu, 1999) have been Porter’s (1985) Industry Structure (IS) approach, which followed the structure-conduct-performance (S-C-P) school of thought (Bain, 1956), and the resource-based-view (RBV) of the firm (Barney, 1991; Wernerfelt, 1984). Both Porter’s IS approach (Porter, 1980) and the RBV perspective (Barney, 2001) recognize the important effects that industry has on the success of the firm. According to Porter’s IS approach, influences on industry structure affects the profitability of the industry, and industry profitability plays a significant role in determining the likelihood of firm success (Porter, 1980). According to the RBV perspective, industry is an important factor in determining which resources of the firm provide a sustainable competitive advantage; and therefore, those resources of the firm that are valuable and the value of those resources (Barney, 2001; Dierickx & Cool, 1989). Because industry plays such a significant role in firm success (McGahan & Porter, 1997), it would seem important that firms consider strategies that would encourage industry growth and profitability. However, strategy making tends to focus mostly on firm-level success and leaves the industry-level effects of strategic choices largely unmentioned (Bettis, 1991; Cockburn et al., 2000; Hambrick & Fredrickson, 2001; Hoskisson et al., 1999; Rumelt, Schendel, & Teece, 1994).

This paper is an attempt to shift part of the focus of strategy away from the effects that industry has on firm success toward the effects that firms can have on industry success. The goal is to begin a discussion about the ways in which rival firms (industry competitors) and non-rival firms (suppliers, buyers, and potential new entrants) can positively affect industry sales and profit growth (vitality). The premise of this paper is that firms should proactively and intentionally focus at least some of their attention on strategies that create industry vitality. This is important since growing, dynamic industries can increase opportunities for
success for firms in the industry as well as offer opportunities for new industry entrants without necessarily creating the negative consequences of destructive-type competitive rivalries. Research has shown that growing, profitable industries increase the number of opportunities to grow the firm (Smith, Ferrier, & Ndofor, 2001; Welch & Byrne, 2001), increase the likelihood of firm profitability (Porter, 1985), and increase the value of the firm’s resources (Barney, 1991; Penrose, 1959; Wernerfelt, 1995), which increases the value of the firm (Amit & Schoemaker, 1993). High growth rates also influence competitive actions (Smith et al., 2001). Rival firms in high growth industries face a reduced ferocity of competitive attacks since high growth rates reduce the motivation to attack (Ferrier, 2000), decrease the speed at which competitors respond (Smith, Grimm, & Chen, 1989), spur limited and simple responses (Miller & Chen, 1996), and reduce the duration of competitive responses (Ferrier, 2000). On the other hand, slow industry growth increases the intensity of competitive actions, which lowers profitability (Miller, 1994). Growing industries also increase opportunities for adjacent industries. For example, growing industries can increase the probability that profits of suppliers to the industry are increased, that new entrants with fresh ideas and additional resources are attracted to the industry, and that buyers receive greater value from the industry (Porter, 1980, 1985).

Since the probability of firm success improves when the firm is embedded in an industry in which revenues and profits are growing, individual rival firms have a vested interest in assuring that the industries, in which they and their competitors are collectively embedded, are growing sales and profits. Firms should consider the effects of their actions on industry dynamics. One measure of industry dynamics is industry dynamism, which is the rate at which an industry is growing sales and profits (i.e., industry vitality is changing). Industry dynamism is similar in nature to market dynamism (Eisenhardt & Martin, 2000). Consistent with the research findings for market dynamism, the growth of sales and profits in moderately dynamic industries tends to follow a linear growth pattern. Whereas, the growth of sales and profits in very dynamic, or “high velocity”, industries tends to follow a nonlinear growth pattern (Eisenhardt, 1989). Like markets, industries tend to follow one of these two change patterns (Eisenhardt & Martin, 2000). At issue in this paper is the ability of firms to positively impact industry dynamism and change patterns. Industries are examined as higher-level systems in which order (dynamic change patterns) emerges from the competitive interaction of lower-level organizational sub-systems (firms). The idea that organizations are systems is consistent with previous research that has described firms as complex adaptive systems (Anderson, 1999; Dooley & Van de Ven, 1999; Simon, 1996). Dynamical systems analysis is used to examine factors that affect industry dynamism and change patterns (Anderson, 1999; Guastello, 2002; Nowak & Vallacher, 1998). Based on two important paradigms, the following sections briefly examine the important effects that industry can have on firm success; as well as look at the effects that the strategies recommended by these two approaches can have on industry vitality.

REFERENCES


RETAINING YOUR PROACTIVE EMPLOYEES: AN EMPIRICAL MODEL WITH EVIDENCE FROM ISRAEL

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ABSTRACT

Proactive individuals actively create environmental change, while less proactive people take a more reactive approach toward their jobs. The present paper provides evidence for the significance of proactive personality (PAP) in the backdrop of organizational change setting by testing an empirical model. We hypothesized a conceptual model and tested the effect of PAP on important job outcomes and found that it had a robust relationship with job performance and job satisfaction after controlling for perceived organizational support and intent to remain with the organization.

Overview of Proactive Personality

In today’s competitive world, change seems to be the only constant, competition the norm and job security a day-dreamer’s fantasy, especially in fast moving organizations where competition increases exponentially. Unfortunately most organizational changes have a common storyline, “First there were losses, then there was a plan of change, and then there was an implementation, which led to unexpected results” (Czarniawska & Joerges 1996, p. 20). In such a condition organizations will be greatly benefited if they had employees who took charge, a characteristic of proactive personality (Crant, 2000). Covey (2004) aptly asserts the importance of proactive people:

Look at the word responsibility—“response-ability”—the ability to choose your response. Highly proactive people recognize that responsibility. They do not blame circumstances, conditions, or conditioning for their behavior. Their behavior is a product of their own conscious choice, based on values, rather than a product of their conditions, based on feeling. (p.71)

Proactive behavior entails a dynamic approach toward work (Frese, Kring, Soose, & Zempel, 1996; Parker, 2000) seeking to improvise the existing job along with developing personal prerequisites for furthering career success (Seibert, Crant, & Kraimer, 1999) and organizational effectiveness (Bateman & Crant, 1999). The extant work on proactive behavior advocates the fact that the construct proactive personality explicitly encompasses the varied aspects of proactive behavior and initiative (Crant, 2000).

Bateman and Crant (1993) defined the construct proactive personality “as a dispositional construct that identifies differences among people in the extent to which they take action to influence their environment” (p. 103). They further developed the Proactive Personality Scale (PPS) to measure this construct and provided evidence for the scale’s convergent, discriminant, and predictive validity with results from three studies. Since then, a number of studies have consistently demonstrated the validity of the proactive personality construct, as assessed by the PPS (e.g., Becherer & Maurer, 1999; Bateman & Crant, 1999, Crant, 1995, 1996; Crant & Bateman, 2000; Kirkman & Rosen, 1999; Parker & Sprigg, 1999).
Proactive personality (PAP) is a unique disposition not captured by other typologies such as the five-factor model; Crant and Bateman (2000) found only moderate correlations with the five-factor model of personality. Furthermore, Crant (1995) found that PAP predicted sales performance above and beyond conscientiousness and extraversion. Additionally, Bateman and Crant (1993) showed that PAP is distinct from self-consciousness, need for achievement, need for dominance, and locus of control. All these studies provide further evidence for the discriminant validity of PAP.

Research in understanding this construct has been rapidly increasing. Its effects have been studied in varied fields such as career success (Erdogan & Bauer, 2005; Seibert, Crant, & Kraimer, 1999), job performance through a social capital perspective (Thompson, 2005); transformational (Bateman & Crant, 1993) and charismatic leadership (Crant & Bateman, 2000); and job search success (Brown, Cober, Kane, Levy, & Shalhoop, 2006). Chan (2006) has explored the interactive effects of situational judgment effectiveness and PAP on work perceptions and outcomes. Parker and Sprigg (1999) found that PAP moderated the interactive effect of job autonomy and demands on employee strain. Their results were consistent with the premise that proactive employees take advantage of high job control to manage the demands they face more effectively, whereas passive employees do not take advantage of greater autonomy to this end.

PAP and Organizational Change

Organizational change has traditionally been viewed at the organizational level, which involves specific actions taken by the organization to transform internal structure or other characteristics/policies, apparently in response to environmental conditions and the need to survive and progress in a dynamic scenario (Armenakis & Bedeian, 1999; Johnson, 1996). There is, however, a burgeoning interest in how change surges down through the organization, ultimately to be experienced at the individual level (Judge, Thoresen, Pucik, & Welbourne, 1999).

Several researchers have called for a more person-focused approach to the study of organizational change (e.g., Aktouf, 1992; Bray, 1994), especially since we are witnessing immense changes in the world of work with jobs in the 21st century requiring greater initiative, courtesy of global competition (Cascio, 1995; Frese & Fay, 2001; Howard, 1995). Recent years have therefore seen an escalating interest in studying the complexity of changes in the workplace, their causes, consequences, and strategies for change (for reviews, see Armenakis & Bedeian, 1999; Porras & Robertson, 1992). This is where the proactive stance plays an important role: as work becomes more dynamic and changeable, proactive personality and initiative become even more critical determinants of organizational success (Frese, Fay, Hilburger, Leng, & Tag, 1997). “Organizations increasingly expect employees to fix things that they see as wrong, act on the information they have, and react to unusual circumstances by demonstrating proactive behaviors,” say Erdogan and Bauer, (2005, p. 859).

Although PAP has been studied in various fields, surprisingly there is little research which has considered its role in the field of organizational change. The present research aims at filling this gap in the literature by empirically testing the role of PAP in an organizational change setting. The purpose of the present study was to delineate the significance of PAP in a change setting by empirically examining a conceptual model of PAP which included both
extrinsic and intrinsic job outcomes. These job variables were chosen based on their significance in the field of organizational effectiveness and change. Specifically it was hypothesized that in a change setting PAP will increase extrinsic job outcomes such as job performance and intent to remain with the organization and intrinsic job-related outcomes such as job satisfaction perceived organizational support.

Model Development and Hypothesis

The German Action Theory (e.g. Hacker, Skell, & Straub, 1968) which is based on the ideology that work is action-oriented is substantiated by the premise that: “the human is seen as an active rather than a passive being who changes the world through work actions…” (Frese & Zapf, 1994; p. 86). People are not always passive recipients of environmental constraints on their behavior; rather, they can intentionally and directly change their current circumstances (e.g., Buss, 1987; Diener, Larsen, & Emmons, 1984). In dynamic circumstances which tend to be less well-defined, it is reasonable to assume that individuals might mold their work characteristics to fit their individual abilities or personalities. People with a proactive personality are relatively unconstrained by situational forces (Bateman & Crant, 1993). Readiness and determination to pursue a course of action are characteristic of proactive people which are also central to models of self-development (Antonacopoulou, 2000).

The words of Bateman and Crant (1999) capture the essence of proactive personality. Proaction involves creating change, not merely anticipating it. It does not just involve the important attributes of flexibility and adaptability toward an uncertain future. To be proactive is to take the initiative in improving business. At the other extreme, behavior that is not proactive includes sitting back, letting others make things happen, and passively hoping that externally imposed change “works out okay.” (p. 63)

These attributes of proactive personality along with the characteristics of organizational change led to the development of the conceptual model that was tested in the present study. The model specifically examined the effect of proactive employees on job outcomes in a change setting.

PAP and Job-related Outcomes in a Change Setting

PAP is the degree to which individuals have an active role orientation. Rather than accepting their roles passively, proactive persons challenge the status quo and initiate change (Bateman & Crant, 1993). Thus employees with proactive personalities use initiative, persevere, and attempt to shape their environment (Bateman & Crant, 1993) thereby having a positive impact on job-related outcomes especially in changeable and more dynamic work environments.

The range of job-related outcomes usually considered in work design research has been criticized as being too limited. However, traditional outcomes such as job satisfaction (intrinsic) and job performance (extrinsic) will certainly remain central to the agenda; hence these two outcomes were chosen in the present study. Given that the main purpose of this research was to understand the role played by PAP in a change setting, two other variables
perceived organizational support and intent to remain with the organization were also included in the study.

Mainly, PAP has been related to extrinsic job-related outcomes such as job performance (Crant, 1995; Thompson, 2005), extrinsic career success, or actual advancements in salary and position (Seibert, Crant, & Kraimer, 1999; Seibert, Kraimer, & Crant, 2001). In an attempt to examine the criterion validity of the Proactive Personality Scale, Crant (1995) found that PAP explained 8% of the variance in objective measures of job performance in the case of real estate agents. Additionally PAP has been associated with other objective measures such as salary and promotions (Seibert, Crant, & Kraimer, 1999). PAP was also found to be significantly related to subjective evaluations of performance by direct supervisors in diverse backgrounds (Thompson, 2005) as they tend to set high standards, and harness all available resources into achieving those standards (Crant, 1996). PAP has also been related to turnover intentions (Igbaria, 1991). Instead of measuring turnover intentions a more positive variable was chosen i.e. intent to remain with the organization.

Additionally, PAP has also been related to intrinsic career success, i.e. job and career satisfaction. Intrinsic success is also important because of its relation to life satisfaction (Lounsbury, Park, Sundstrom, Williamson, & Pemberton, 2004). In the present study job satisfaction was defined as an individual's global feeling about his or her job (Spector, 1997). Dispositional characteristics incline people to a certain level of satisfaction (see Bowling, Beehr, Wagner, & Libkuman, 2005). Proactive personality may affect job satisfaction as “proactive individuals will be more satisfied with their jobs because they will remove obstacles preventing satisfaction” (Erdogan & Bauer, 2005, p. 861).

Blau (1964) viewed work as a form of social exchange that involved an undefined series of transactions which consequently obligates both parties involved in the social interaction. Thus effort and loyalty are traded for material and social rewards (e.g., Etzioni, 1961; Gould, 1979; Levinson, 1965; March & Simon, 1958; Mowday, Porter, & Steers (1982). Social identity theory proposed that employees “remain loyal when they feel that their organizations ... value and appreciate them” (Tyler, 1999, p. 235). Eisenberger, Huntington, Hutchison, and Sowa (1986) suggested that employees' commitment to their organization is partially based on their perception of the organization's commitment to them. They conceptualized employees' perceptions of their organization's commitment as “perceived organizational support” (POS) and defined it as “global beliefs about the extent to which the organization cares about their well-being and values their contributions” (Eisenberger, Huntington, Hutchison, & Sowa, 1986, p. 501). They further developed a measure for POS—Survey of Perceived Organizational Support. Its validity and reliability have been tested in several studies (Eisenberger, Fasolo, & Davis-LaMastro 1990; Eisenberger et al., 1986; Garstka, 1993; Hutchison & Garstka, 1996; Shore & Tetrick, 1991; Shore & Wayne, 1993). Moreover, Shore and Tetrick (1991) demonstrated that perceived organizational support and organizational commitment are distinct constructs. POS “may be used by employees as an indicator of the organization's benevolent or malevolent intent in the expression of exchange of employee effort for reward and recognition” (Lynch, Eisenberger, & Armeli, 1999, pp. 469-470).

POS has been found to have a positive impact on several job-related perceptions and outcomes. Employees with high levels of POS exhibited less absenteeism and were found to
be more conscientious about carrying out their work responsibilities (Eisenberger et al., 1986; Eisenberger, Fasolo, & Davis-LaMastro, 1990). They showed positive correlations with organizational commitment (Garstka, 1993) and organizational citizenship behaviors (Moorman, Blakely, & Niehoff, 1998; Randall, Cropanzano, Bormann, & Birjulin, 1999). POS was also found to be related to communication with top management, supervisors and coworkers (Allen, 1992, 1995, 1996).

Proactive people identify opportunities and act on them, show initiative, take action, and persevere until meaningful change occurs (Crant, 1996) and hence is crucial in modern organizations characterized by fast changes and reduced supervision. Bateman and Crant (1993) argued that proactive individuals make active attempts to effect changes in one's environment thereby suggesting that proactive employees will not only welcome change but will be more inclined to be committed to the organizational change. The above discussion leads to the following hypotheses

Hypothesis 1: In a change setting proactive personality will relate significantly and positively to (a) job performance, (b) intent to remain with the organization, (c) job satisfaction and (d) perceived organizational support.

METHODOLOGY

Research Setting and Participants

Cross-sectional data were collected from employees who work in the private sector in Israel. The main sectors represented in our sample are technology, pharmaceuticals, telecommunication, finance and aviation. The data were collected via a self-report online survey using the snow-ball effect. We initiated our survey administration process by sending an email information letter to 25 people in 14 private sector companies in Israel, inviting them to participate in the research study. These initial respondents were asked to disperse the survey to five other employees who worked with them in their company or to other workers in the private sector. This sampling methodology is referred to as the snow-ball effect. The email cover letter contained the link to the survey and a request not to answer the survey if the recipient was not working in the private sector in Israel. Because English is a second language in Israel and is actively used and spoken in the country’s business community, the contact email and the survey were distributed in the English language. Only employees with access to email and the internet were able to receive and answer the survey. The surveys were collected during the Summer of 2008. We collected 120 completed and usable surveys.

Prior to our data collection in Israel, we conducted a pilot study to test the reliability of the survey. We distributed the survey to 40 MBA students in a large, public university on the West Coast in the United States online via www.Zoomerang.com and in the classroom.

The respondents had an average age of 30 years. Of the 120 people surveyed, about 54% were female, and 46% male. About 59% of respondents had a Bachelor degree, 27 ½ % had a Masters degree, and only 2 ½ % had a post graduate degree. Of the 120 respondents, 23% were software engineers, about 17 % customer service representatives, 15% sales and marketing people, about 8 % human resource management people, 7 ½ % operations and
logistics and about 6\% in business development. Tables 1 and 2 provide a demographic and job positions profile of the respondents, respectfully.

**TABLE 1**

Demographic Profile of Survey Respondents

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Females</td>
<td>171</td>
<td>62.2</td>
</tr>
<tr>
<td><strong>Race</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Caucasian</td>
<td>177</td>
<td>64.4</td>
</tr>
<tr>
<td>African American</td>
<td>75</td>
<td>27.3</td>
</tr>
<tr>
<td>Hispanic</td>
<td>1</td>
<td>.4</td>
</tr>
<tr>
<td>Native American</td>
<td>2</td>
<td>.7</td>
</tr>
<tr>
<td>Asian</td>
<td>1</td>
<td>.4</td>
</tr>
<tr>
<td>Other</td>
<td>4</td>
<td>1.5</td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20 – 29 years</td>
<td>13</td>
<td>4.7</td>
</tr>
<tr>
<td>30 – 39 years</td>
<td>38</td>
<td>13.8</td>
</tr>
<tr>
<td>40 – 49 years</td>
<td>100</td>
<td>36.4</td>
</tr>
<tr>
<td>&gt; 50 years</td>
<td>118</td>
<td>42.9</td>
</tr>
<tr>
<td><strong>Tenure (Organization)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; 1 year</td>
<td>11</td>
<td>4</td>
</tr>
<tr>
<td>1 – 5 years</td>
<td>47</td>
<td>17.1</td>
</tr>
<tr>
<td>6 – 10 years</td>
<td>53</td>
<td>19.3</td>
</tr>
<tr>
<td>11 – 20 years</td>
<td>88</td>
<td>32</td>
</tr>
<tr>
<td>&gt; 20 years</td>
<td>72</td>
<td>26.2</td>
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<tr>
<td><strong>Tenure (Job position)</strong></td>
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<tr>
<td>&lt; 1 year</td>
<td>20</td>
<td>7.3</td>
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<tr>
<td>1 – 5 years</td>
<td>125</td>
<td>45.5</td>
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<td>6 – 10 years</td>
<td>49</td>
<td>17.8</td>
</tr>
<tr>
<td>11 – 20 years</td>
<td>53</td>
<td>19.3</td>
</tr>
<tr>
<td>&gt; 20 years</td>
<td>20</td>
<td>7.3</td>
</tr>
</tbody>
</table>

*Note: N = 275*

**Measures**

**Proactive Personality**

PAP was measured by using the shortened version of Bateman and Crant's (1993) 17-item Proactive Personality Scale (PPS) created by Seibert, Crant, and Kraimer, (1999). The shortened version consists of 10 items which were selected as they had the highest average factor loadings across the three studies reported by Bateman and Crant (1993). These three studies presented evidence for the scale’s reliability (Cronbach’s alpha across three samples ranged from .87 to .89, and the test-retest reliability coefficient was .72 over a 3 month
period) and convergent, discriminant, and criterion validity. Seibert et al (1999) mentioned that the deletion of 7 items did not result in a major effect on the reliability of the scale (17-item $\alpha = .88$; 10-item $\alpha = .86$). These items were summed to arrive at a proactive personality score. Responses were indicated on a seven-point Likert scale ranging from 1 ("strongly disagree") to 7 ("strongly agree"), with such items as "I excel at identifying opportunities" and "No matter what the odds, if I believe in something I will make it happen." Internal consistency (coefficient alpha) obtained in the current study was .89, in line with that reported by Bateman and Crant (1993).

**Job Performance**

Job performance was measured by using two self-report measures completed by the employees. The first self-report measure included 7 items which was a subset of the 20-item scale prepared by Williams and Anderson (1991). The Williams and Anderson (1991) scale was originally validated on 127 employees working in varied organizations. Factor analysis resulted in three distinct behavior factors—job performance being one of them. Example questions include “fulfills responsibilities specified in the job description” and “meets formal performance requirements of the job.” Items were summed to yield a total performance score for each employee. Reliability of the scale was within the acceptable range, i.e. higher than .70 (Cronbach’s alpha = .77).

The second self-report scale consisted of a two single items. The first item was coined by Ferris, Witt, and Hochwarter (2001) and measured the overall job performance of the employee aimed at serving as a self-appraisal. It read as follows: “Please circle the number besides the adjective which best describes your job performance in your opinion: 1 (weak or bottom 10%), 2 (fair or next 20%), 3 (good or next 40%), 4 (very good or next 20%), or 5 (best or top 10%).” Since a single-item measure cannot yield estimates of internal consistency reliability, nor can a single-item measure be used in structural equation models one more similar item was used which also measured the overall job performance. The item was based on a 6-point Likert scale in which employees rated themselves and were asked the following: “Please circle the number besides the adjective which best describes your job performance in your opinion: 1 = Unacceptable, 2 = Very poor, 3 = Poor, 4 = Good, 5 = Very Good, 6 = Outstanding.”

The likelihood that any particular cognition will be retrieved as an input to some decision or behavior decreases with an increase in the amount of time since its most recent activation (Wyer & Srull, 1986) and the amount of material in the same content domain encountered during that temporary period (Keller, 1987). This suggests that intervening items between two similar items will increase the likelihood of the respondent to either compute a new response or engage in an effortful search of long-term memory. Hence in the survey instrument the two overall job performance items were separated by several items as well as open ended questions. Reliability of this scale was within acceptable range (Cronbach’s alpha = .78).

**Intent to Remain.**

Employee’s intent to remain with the organization was measured using a scale from Robinson (1996). This four-item scale asked employees to respond to Likert-type questions about how long the employee intends to remain with the employer, the extent to which they would prefer
to work for a different employer, the extent to which they have thought about changing companies, and one binary question (“If you had your way, would you be working for this employer three years from now?”). We found a rather modest reliability with Cronbach’s alpha measuring .68.

**Job Satisfaction**

Job satisfaction was measured by using four sub-scales of the Job Satisfaction Survey (JSS; Spector, 1997). JSS measures “outcome” satisfaction facets such as pay, benefits, promotions, supervision, work itself, co-workers, and working conditions (Spector, 1997). Four sub-scales of the JSS (benefits, rewards, co-workers and work itself) were used in this study with each subscale consisting of four items. Respondents indicated the extent of their agreement with each item on a 7-point Likert-type scale (1 = strongly agree, 7 = strongly disagree). Cronbach’s alpha measured for the four sub-scales were benefit satisfaction ($\alpha = .79$), reward satisfaction ($\alpha = .84$), co-worker satisfaction ($\alpha = .72$) and work itself satisfaction ($\alpha = .83$).

**Perceived Organizational Support**

Perception of organizational support was measured using the nine-item short version of the Survey of Perceptions of Organizational Support (Eisenberger, Fasolo, & Davis-LaMastro, 1990). Items (e.g., “My organization really cares about my well-being”) were presented on a 5-point Likert-type scale, ranging from 1 (strongly disagree) to 5 (strongly agree). Higher scores reflect more favorable perceptions of support. The scale had high reliability as Cronbach’s alpha = .91.

**Demographic data.**

The survey also included items inquiring about the subjects’ age, gender, ethnicity, and job tenure. Gender was dummy coded 0 for female subjects and 1 for male subjects. (See Table 1 for a summary of the measures).

**RESULTS**

**Descriptive Statistics**

After the data were collected, the first step was to evaluate the data according to the guidelines suggested by Tabachnick and Fidell (2001, pp. 56-110) as data cleaning is very important in multiple regression (Tabachnick & Fidell, 2001, p. 139). An examination of the data revealed that the data met the assumptions of normality, and there was no evidence of unacceptable levels of kurtosis or skewness or variables with substantial outliers. Table 2 displays means, standard deviations and correlations among all the variables.

**TABLE 2**

<table>
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<tr>
<th>Variable</th>
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As seen from Table 2, PAP was significantly correlated with all the variables (job satisfaction $r = .14$; job performance $r = .37$; intent to remain $r = .13$; and perceived organizational support $r = .18$).

Model Fit

The goodness of fit indices for the baseline model was initially very close to a poor fit. However, on the basis of the modification indices, the fit of the model could be slightly improved by allowing three pairs of errors to correlate from the job satisfaction scale: the error terms of the manifest variables co-worker satisfaction, work itself, and benefit satisfaction was correlated with reward satisfaction. MacCallum and Tucker (1991) noted that when using indicators related to an employee’s work environment, it is not unreasonable to expect some same-source correlated measurement error.

The baseline model with the correlated error terms exhibited a good fit. Although the chi-square test was statistically significant, $\chi^2 (17, N = 275) = 29.11, p < .05$, the chi-square degrees of freedom ratio was favorable ($\chi^2 / df = 1.71$). RMSEA improved considerably with a value of .05 and the CFI = .97. The other fit indices gave further evidence of a good fit (NFI = .94; & TLI = .94). Refer to Table 6 for the goodness of fit statistics for the baseline model with and without the correlated error terms. Figure 2 shows the standardized model with the correlated error terms.

Hypothesis Testing

SEM, using AMOS 7 (Arbuckle, 2006a; 2006b) was employed to test the study hypothesis. As expected PAP had a positive and significant effect on job performance ($\beta = .46, p < .001$) after controlling for job satisfaction, perceived organizational support and intent to remain.
with the organization. Similarly, PAP exhibited a robust relationship with job satisfaction ($\beta = .22 \ p < .01$) after controlling for the other variables (job performance, perceived organizational support, and intent to remain with the organization) in the model. Although there was no significant relationship between PAP and intent to remain with the organization ($\beta = -.07, \ ns$), and perceived organizational support ($\beta = .09, \ ns$), in the hypothesized model the result of a simple regression showed that PAP had a significant and positive effect on intent to remain ($\beta = .20 \ p < .05$) and perceived organizational support ($\beta = .18, \ p < .01$) thereby giving partial support to hypotheses 1c and 1d.

FIGURE 1

Empirical Model with Correlated Error Terms and Standardized Estimates
DISCUSSION

The present study examined the effect of PAP on job related outcomes in a change setting. The study contributes to both proactive personality and change literature as it was an initial attempt to empirically test the conceptual model of PAP in a change setting. As predicted in the conceptual model, PAP exhibited a robust relationship with job performance, and job satisfaction. The study found that PAP has a positive and robust relationship with job performance even after controlling for perceived organizational support, job satisfaction and
intent to remain with the organization. Together with perceived organizational support and job satisfaction, PAP accounted for 37.3% of the variance in job performance.

Research has shown that dispositions influence the way in which employees perceive their jobs, which consequently affects their job satisfaction (Bowling, Beehr, Wagner, & Libkuman, 2005). The results in this study supported this reasoning as it was found that PAP has a positive and significant relationship with job satisfaction and accounted for 4.7% of the variance. Additionally, the model revealed that in a change setting proactive personality and job satisfaction accounted for 20.2% of the variance in perceived organizational support.

Although a simple regression revealed that PAP had a significant and positive relationship with intent to remain with the organization, it is important to note that contrary to the prediction made in this study, PAP was not related with intent to remain. After controlling for perceived organizational support, job performance, and job satisfaction, PAP did not predict intent to remain with the organization. This may be due to the fact that this model was tested in a change setting. As rightly pointed out by Allen, Weeks, and Moffitt (2005), numerous factors affect the turnover decision such as “…risk (e.g., uncertainty about alternative opportunities), financial costs (e.g., unvested pensions), transaction costs (e.g., moving), and psychological costs (e.g. loss of valued work relationships).” (p. 980). This result adds further importance to the fact that indeed there is a need to gain insight on the mechanism by which PAP relates to the job outcomes. Future studies can investigate and give insights into “how,” “why” (mediating effect), and “when” (moderating effect) PAP leads to positive outcomes (Crant, 2000; Erdogan & Bauer, 2005).

Additionally, in line with past research this study found that in an organization characterized by change, job satisfaction was positively and significantly related with intent to remain with the organization even after controlling for PAP, perceived organizational support, and job performance. Also, the results showed that out of the four proposed predictors of intent to remain in the model, only job satisfaction had a significant relationship, thereby, giving further evidence for the robustness of the relationship. In light of this result, it is especially imperative for managers to realize how valuable it is to have satisfied employees as such employees would intend to remain with organization even in a change environment.

**Practical implications**

The results of this study provide evidence for the importance of proactive employees in a change setting. As demonstrated in support of the main hypotheses, PAP clearly exhibits a robust relationship with important job related outcomes such as job performance, job satisfaction, perceived organizational support and intent to remain with the organization. These results have verified the fact that proactive individuals are indeed an asset to the company. Further this study gave managers some insight on how organizations can recognize and leverage those employees exhibiting proactive personality. For instance, even in the backdrop of an organizational change, proactive employees will tend to be satisfied and perform well on their respective jobs. However, those predisposed to be less proactive may need more organizational support and encouragement. Thus organizations must emphasize
the importance of being proactive, hire applicants with a more proactive orientation and must work on retaining its proactive employees by making sure they are satisfied with their jobs.

Limitations of the Study

One limitation of this study is the potential for common method variance since the data were collected from a single source. Podsakoff, MacKenzie, Lee, and Podsakoff (2003) mentioned that one of the most common variables assumed to cause common method variance is the tendency for participants to respond in a socially desirable manner (see Paulhus, 1984; 1988). Podsakoff et al. argue that when anonymity is assured, respondents may have less evaluation apprehension and therefore are less likely to edit their responses to be more socially desirable. In the present study the responses were completely anonymous, thereby, protecting the respondent’s identity. Although this does not completely eradicate the problem of common method bias, it does alleviate it.

Anonymity was a particularly important aspect in the present study as organizational change is often characterized by high levels of distrust and uncertainty. This may lead to biased responses if participants believe their identity could be revealed to management. Because the present study is related to organizational change, issues of distrust and uncertainty were concerns in designing the study. Green and Feild (1976) pointed out that even with assurances of complete confidentiality; participants may perceive a personal threat due to their responses to the survey questions. Thus if participants believe that their identity could be revealed to management they may respond in a desirable fashion which would consequently result in a loss of internal validity (Campbell & Stanley, 1966).

Podsakoff, MacKenzie, Lee, and Podsakoff (2003) suggested using “Temporal, proximal, psychological, or methodological separation of measurement” (p. 887) as one of the techniques for controlling common method biases. As mentioned earlier the survey instrument for the present study had several close- and open-ended questions not used in this study. These questions were interspersed among the items used for the study which served as intervening items thereby aiming at achieving some proximal or methodological separation. Also, Wyer and Srull (1986) theorized that in making a judgment, respondents first search their working memory—the capacity of which is limited and hence if respondents find a sufficient basis for making the judgment, the search terminates. With respect to intervening items, Feldman and Lynch (1988) pointed out that they “… make it less likely that one's answer to Question i will be in working memory when Question i + n is encountered. Thus, subjects must either compute a new response o r engage in effortful search of long-term memory (Feldman & Lynch, 1988, p. 427).

Further, the measure of intent to remain with the organization had disappointingly low reliability (α =.68) in this study, suggesting that an alternative measure should be used in future research. Finally, the data were collected for a non-profit organization and hence generalizability to for-profit and other organizations may be an issue.

Future Research

Following are some ideas for future research. There is considerable agreement in the organizational change literature that people are concerned with the amount of impact change
will have on themselves, their job, and their work colleagues (e.g., Herscovitch & Meyer, 2002; Lau & Woodman, 1995; Weber & Manning, 2001). When discussing the impact of change in the workplace, authors have drawn a fundamental distinction between incremental or first-order change and transformational or second-order change (e.g., Bartunek & Moch, 1987; Levy, 1986). As seen from the results PAP has a robust relationship with job outcomes. PAP is indeed a blessing for both transformational and incremental changes. Although the present paper concentrates on transformational change it would be interesting to replicate this study in an organizational setting characterized by incremental change. Also, authors in the field of organizational change have argued that individuals are concerned with the timing of change in the workplace, and whether change occurs very frequently or infrequently (Glick, Huber, Miller, Doty, & Sutcliffe, 1990; Monge, 1995). Future study can observe a proactive employee’s reaction to both frequent and infrequent changes as Glick et al. argued that changes which occur infrequently will help employees to identify a clear beginning and end point of change. On the contrary, when changes are frequent, organizational members will find the change highly unpredictable.

The present paper included intention to remain as its variable for turnover. However, research has found that intentions do not always result in turnover behavior (Allen, Weeks, & Moffitt, 2005). Hence it would be interesting to replicate this study using turnover behavior as the outcome variable. The effect of organizational change is better captured by longitudinal data. It would be interesting to observe if the present results would differ in a longitudinal study.

This study could also be replicated by comparing data across cultures, for example U. S. and Japan as Japanese employees exhibit higher work centrality and give greater importance to job security and stability than do employees in the U.S. (England & Misumi 1986; Lundberg & Peterson 1994).

Finally, a natural extension of this study would be to expand the model and include other dispositions and determine whether they add incremental variance beyond those included in the present study. Future studies could also include intrinsic factors in the model such as motivation and self-efficacy.

Concluding Thoughts

Proactive behavior is becoming a topic of ever-increasing interest to researchers and managers. Crant (2000) aptly states the importance of PAP which can be rightly applied to organizational change: “As work becomes more dynamic and decentralized, proactive behavior and initiative become even more critical determinants of organizational success” (p. 435). This study provides an initial attempt to delineate the significance of proactive personality by studying its effects on certain job-related outcomes in the backdrop of a change setting. The “bottom line” is to send across a message to organizations to value one of their most important assets—its proactive employees especially in a competitive and ever changing world where employees undoubtedly form the core competency of the company.

REFERENCES


SOCIAL DOMINANCE ORIENTATION, AFFIRMATIVE ACTION, PERFORMANCE RATINGS AND EVALUATIONS
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ABSTRACT
This investigation sought to uncover how social dominance orientation (SDO) may influence the relationship between affirmative action and performance ratings of a low status group member (i.e., an African American male) among men. We found that when an individual is high in SDO they provide a significantly higher evaluation for a low status group member when they do not receive affirmative action, as compared to when they have received affirmative action, and have earned a high performance rating. We utilized undergraduate business students in our lab investigation to test our hypothesis.

Keywords: social dominance orientation, affirmative action, performance

Although affirmative action has been enacted since 1965 (when the phrase was first uttered by President John F. Kennedy), it remains a hot button issue within our society. In fact, the court system (i.e., Supreme Court) has agreed to hear another case involving affirmative action and the University of Texas (Vogue, 2012). A White student was denied admission to the school and argues that it was because of affirmative action; more specifically, they argue that race was used as a decision factor that would place this student at a disadvantage (Vogue, 2012). Thus, even though affirmative action has been a part of our society for almost fifty years, it still faces significant scrutiny. Indeed, affirmative action policies often result in individuals having a negative position towards its policies as well as backlash against those who are the recipients of affirmative action.

In fact, a national poll indicated that three out of four Americans do not agree with affirmative action for minorities and women and two out of three believe that these types of policies should be modified if not completely eliminated (Morin & Warden, 1995). This negative position toward affirmative action has been replicated by academic findings, which suggest that those who receive affirmative action (e.g., women) tend to encounter stigmas (e.g., Heilman, Block, Lucas, 1992; Heilman, Block, & Stathatos, 1997). Because topics on affirmative action continue to be debated, in both the academic and research arenas, it is important that efforts carry on to better understand its impact (Allen, 2011; O’Brien, Garcia, Crandall, & Kordys, 2010). We look to contribute to this area of study by investigating it from the lens of Social Dominance Theory (SDT).

It is important to study affirmative action through the lens of SDT because this theory can explain when there is such a strong negative reaction to its policies. For instance, SDT asserts that traditional hierarchies still remain within society, such as women not having a comparable amount of social status as men and minorities not having a comparable amount of social status as non-minorities because some desire to ensure that established hierarchies within society remain in place (Sidanius & Pratto, 1999). More importantly, SDT helps provide additional information as to why some individuals (i.e., those high in social dominance orientation) within society have a strong stance against any policy that seeks to attenuate these established hierarchies within society, as the attenuation of these hierarchies are likely to result in decreased power and status for those who are currently privy to these societal benefits (Sidanius & Pratto, 1999).

Additionally, in spite of the race and gender inequalities that remain in our society that can include matters related to affirmative action, some research on how to manage the
downside of affirmative action has been promising. For instance, studies have shown, according to Heilman’s lack of fit theory (2001), that some negative outcomes toward affirmative action recipients (i.e., women) can be reduced if performance data is provided. Moreover, if information demonstrates that the candidate (although a recipient of affirmative action) is actually qualified, the negative assessments/stigmas can be reduced (e.g., Heilman, 2001). The purpose of this investigation is to determine the role that social dominance orientation (SDO) plays in these relationships. We believe that SDO (i.e., adherence to beliefs that traditional hierarchies should be maintained) can enhance or diminish the interaction between affirmative action and evaluations of a minority employee, depending on whether performance ratings are present or absent.

**Theoretical Development**

Affirmative action has been categorized as a divisive issue that hurts Caucasians and men. Opponents assert that affirmative action is counter to efforts to ensure that race, gender or other arbitrary factors are not utilized when selection and promotion decisions are made. On the other hand, advocates of affirmative action suggest that it is important that efforts be made to right the wrongs that have resulted from African Americans being enslaved against their will as well as to address the lack of resources available to other minority groups (e.g., women) (Allen, 2011; O’Brien, Garcia, Crandall, Kordys, 2010). Evidence still suggests that these groups are negatively impacted due to race or gender. For instance, Caucasians make up 14% of those who live in poverty, while 36% of African Americans, and 35% of Latinos live in poverty (Statehealthfacts.org, 2010). In addition, percentages indicate that in all racial groups females are poorer than their male counterparts (Cawthorne, 2008). Proponents of affirmative action would argue that these types of policies support efforts that provide educational and other business opportunities for disenfranchised groups and can help decrease the gaps between races and gender that still remain.

SDT provides insight as to why some individuals are opposed to affirmative action policies. SDT suggests that societies tend to establish hierarchies that generally result in social value, like assets and affluence, being disproportionately allocated among groups within society. Typically, we discover that men, non-minorities, and older people tend to benefit from traditional hierarchies as opposed to women, minorities, and younger people (Sidanius & Pratto, 1999). Individuals who ascribe to these ideas and believe that these hierarchies should be maintained within society are considered to be high in SDO. SDO is defined as, “as expressing a generalized orientation towards and desire for unequal and dominant/subordinate relations among salient social groups, regardless of whether this implies in-group domination or subordination” (Pratto, Sidanius, & Levin, 2006 p. 282). Previous research has uncovered the notion that those high in SDO may undermine the intent of affirmative action as they may hold to the belief that recipients (i.e., low status group members) are less qualified and have a negative bias toward them (e.g., Aquino, Stewart, & Reed, 2004). We extend these findings and include performance ratings in the study of affirmative action and SDO.

On the outset, it is important to note that Heilman and colleagues have validated the notion that affirmative action recipients encounter stigmas (Heilman & Haynes, 2006; Heilman, Block, & Statathos, 1997). According to the lack of fit theory, “the perceived lack of fit between the requirements of traditionally male jobs and the stereotypic attributes ascribed to women is therefore likely to produce expectations of failure” (Heilman, 2001, p. 660). This expectation appears to be enhanced for those who receive affirmative action
(Heilman, Block, & Stathatos, 1997). However, there is evidence that performance ratings can help diminish these biased perspectives.

Promising research has demonstrated, for instance, that if a recipient of affirmative action is proven to be capable, some biased outcomes associated with affirmative action can be minimized. In fact, Heilman and colleagues (1997) state that, “people resist relinquishing a negative view of those associated with affirmative action; such individuals seem to remain incompetent in the minds of onlookers unless they are proved to be competent” (p. 621). The present research extends knowledge in this area of study by explaining these relationships from the lens of SDT. We assert that the behavior observed by Heilman and colleagues would be enhanced if the assessor/evaluator is high in SDO. We believe that an individual who is high in SDO will not only be fair to a low status group member (i.e., an African American male) who is a high performer and is not a recipient of affirmative action, but there will also be a recompensing effect toward them.

In addition, as mentioned, individuals who are high in SDO are strongly averse to hierarchy attenuating policies like affirmative action (Sidanius & Pratto, 1999). If they are made aware that a low status group member (i.e., woman or minority) has received affirmative action they are likely to be increasingly negative in their evaluation if that person received affirmative action. However, we also believe that the opposite is true. More specifically, those high in SDO should rate a high performing low status group member significantly higher than those low in SDO when a low status group member is not a recipient of affirmative action. This would be the result of them demonstrating their disdain for affirmative action which can inadvertently lead to positive evaluations of low status group members who also appeared to have rejected or not received help from affirmative action policies.

As mentioned, we focused on males in this investigation as they are typically higher on SDO. In fact, the literature states, “all other things being equal, that males should be higher on SDO than should females…” (Sidanius, Pratto, & Brief, 1995, p. 383). Further, the literature suggests that men more zealously act on their beliefs as related to the tenants of SDT (Sidanius & Veniegas, 2000). Thus, higher levels of SDO generally found in men should enhance the relationships we seek to uncover making them the most suitable group to study for this context. We hypothesize the following:

**Hypothesis:** Males who are high in SDO should provide significantly higher evaluations for a high performing low status group member who is not a recipient of affirmative action.

**METHOD**

**Participants and Procedures**

One hundred and ninety four male participants from both a Northern and Southern university participated in this investigation. Approximately 80% of the participants were Caucasian, 5.2% were African American, 5.6% were Latino, and 7.5% were Asian. We gathered data about their ages and 7.6% were 19, 25.4% were 20, 32.4% were 21, 22.2% were 22 and 5.9% were 23. In addition, 22.5% were Sophomores, 43.7% were Juniors, and 31% were Seniors. Lastly, 89.7% spoke English as their first language while 10.3% indicated that English was not their first language.

**Phase 1**

In the first phase of this investigation, we collected the participants’ responses to items related to social dominance orientation, modern racism, social desirability, and
submissiveness to organizational authority. In the second phase of this investigation, we experimentally manipulated whether or not an employee received affirmative action, and performed in an excellent manner or not. We then asked participants to evaluate how well the employee had done in terms of a recent promotion.

Measures- Independent Variable

Social Dominance Orientation (SDO). Sixteen items were presented to the participants to determine their level of SDO. Individuals who are high in SDO tend to believe that the traditional hierarchy within society should be maintained (Sidanius, Levin, Liu, & Pratto, 2000). For instance, men should have more social value than women, and Caucasians should have more social value than African Americans. A sample item is as follows: “Inferior groups should stay in their place”. Participants answered the questions on a scale from 1 (Strongly Disagree) to 7 (Strongly Agree). The reliability was good (α = .89).

Measures- Control Variable

Modern Racism. Modern racism was collected utilizing eight items (McConahay, Haree, & Batts, 1981). We measured this construct because individuals who are high in modern racism tend to have a negative bias toward minorities (e.g., African Americans). A sample item is as follows: “Blacks should not push themselves where they’re not wanted”. Participants answered the questions on a scale from 1 (Strongly Disagree) to 5 (Strongly Agree). The reliability was good (α = .81).

Social Desirability. Social Desirability was measured utilizing a short-form (i.e., 10 items) of the Marlowe-Crowne scale (Paulhus, 1984). Some individuals who respond to questions about race and gender may feel uncomfortable; thus, we measured social desirability to manage the probability that individuals may not be forthcoming. A sample item is as follows: “I tell the truth”. Participants answered the questions on a scale from 1 (Strongly Disagree) to 7 (Strongly Agree). The reliability was good (α = .57).

Submissiveness to Organizational Authority. We measured an individual’s likelihood to yield to authority utilizing a scale developed by DeZoort and Roskos-Ewoldsen (1997). This variable was measured because individuals who are high in SDO have a tendency to yield to authority and also may have a negative disposition toward low status group members who aspire to leadership positions (Sidanius & Pratto, 1999; Umphress, Simmons, Boswell, & Triana, 2008; Simmons & Umphress, 2010). Participants answered the questions on a scale from 1 (Strongly Disagree) to 6 (Strongly Agree). The reliability was good (α = .75).

Phase 2

Our study design presented four experimental conditions. The scenario presented to all participants is as follows:

The following situation is based on a recent occurrence at a prestigious court. Several individuals were promoted to a leadership position (i.e., a judge position) at this court house. They have been in their new role for about six months and recently received their first performance evaluation. We were asked to conduct an investigation about perceptions related to the recent promotions. We would like you to rate one of these individuals based on the information that we share with you about them. This job was one in which the employees could possibly be the recipient of affirmative action. However, not all individuals who were eligible for affirmative action received affirmative action. We would like to know your thoughts on how well qualified the following employee is for their new leadership position.
Conditions were presented in a two (recipient of affirmative action or not) by two (performance information provided or not) between-participant design. The same scenario was stated to all participants, but the conditions were not identical. In condition one, the employee was not a recipient of affirmative action and a performance rating was provided ($N = 64$). In condition two, the employee was a recipient of affirmative action and no performance rating was provided ($N = 47$). In condition three, the employee was a recipient of affirmative action and a performance rating was provided ($N = 53$). In condition four, the employee was not a recipient of affirmative action and no performance rating was provided ($N = 49$). The participants were randomly assigned to one of the four conditions. To clarify, when performance rating information was provided, the employee was given an excellent rating. The participants were asked to rate the employee with regard to their recent promotion in terms of their quality, attractiveness, and deservingness of a leadership role. The employee described in all four conditions was an African American male.

**Dependent Variable**

*Evaluation of Recently Promoted Employee.* We utilized a three item scale to determine how the participants responded to the recent promotion of the employee (i.e., an African American male). The items were modified from a previous study exploring SDO (Umphress et al., 2008). The three items were, “Please select the one choice that best indicates the quality of the employee.,” “Please select the one choice that best indicates the extent to which you believe this is an attractive employee.,” and “Please select the one choice that best indicates how much this employee deserves the leadership role they currently hold.” The three items were measured utilizing a 7-point Likert-type scale from 1 = unacceptable employee to 7 = excellent employee, 1 = extremely unattractive to 7 = extremely attractive, and 1 = a low level of deserving to 7 = a high level of deserving, respectively. The reliability of this scale was good ($\alpha = .83$).

**Manipulation Checks**

We utilized two different items to ensure that the manipulation was successful. The first item examined whether or not the affirmative action manipulation was successful, “The employees received affirmative action”. An independent samples t-test was conducted, $t(209) = -13.09, p \leq .05$. Participants in the affirmative action conditions agreed with this statement ($M = 5.46, SD = 1.45$) significantly more than participants not in the affirmative action conditions ($M = 2.61, SD = 1.69$). We also wanted to be sure the participants read the scenario carefully and noticed that the employee’s performance rating was excellent for their recent performance evaluation. An independent samples t-test was conducted, $t(210) = -15.64, p \leq .05$. Participants in the performance rating as excellent conditions agreed that the performance rating was excellent ($M = 6.23, SD = 1.23$) significantly more than participants in the conditions where they did not receive a performance rating that was identified as excellent ($M = 3.47, SD = 1.34$).

**RESULTS**

Table 1 displays the correlation matrix for the variables utilized in this study. To test the hypotheses we ran hierarchical regression. Results are displayed in Table 2. First, the control variables (i.e., modern racism, social desirability, submissiveness to organizational authority) were placed in the regression model. This step was significant ($R^2 = .12$). Second, the independent variables were placed into the model (i.e. SDO, affirmative action,
performance). Affirmative action had a negative relationship ($\beta = -.14$, $p < .05$) with the dependent variable (i.e., evaluation of an African American male). This step was significant ($R^2 = .39$; $\Delta R^2 = .27$). Third, the two-way interaction terms (SDO $\times$ affirmative action; SDO $\times$ performance; performance $\times$ affirmative action) were entered into the regression model. This step was not significant ($R^2 = .39$; $\Delta R^2 = .01$). Fourth, the three-way interaction term (SDO $\times$ performance $\times$ affirmative action) was entered into the regression model. This step was significant ($R^2 = .41$; $\Delta R^2 = .02$). These findings provide support for our hypothesis. Please see Figure 1 for an illustration.

**DISCUSSION**

This investigation discovered that males who are high in SDO are likely to positively evaluate a low status group member if they realize that hierarchy attenuating opportunities are available but not received by that low status group member. More specifically, if a high performing African American male has the opportunity to receive affirmative action, but does not, an evaluator high in SDO is likely to assess them significantly higher than if they had received affirmative action. A slope t-test analysis further confirms this interpretation, the evaluation by an individual who is high in SDO of a high performing African American male who received affirmative action was significantly lower than for a high performing African American male who did not receive affirmative action ($t = -2.24$, $p \leq .05$).

These findings demonstrate that reactions to affirmative action within society often remain negative. The data suggest that individuals who are high in SDO will respond counter to their inclinations to be biased toward low status group members if they believe that a low status group member attained their status, in this scenario a recent promotion, without the help of affirmative action policies. The evidence suggest that although an individual high in SDO desires to maintain established hierarchies within society their contempt for affirmative action, a hierarchy attenuating policy with far reaching effects, will result uncharacteristically in a more positive response to a low status group member who sidestepped an opportunity to receive affirmative action. Thus, in this context, the more positive evaluation by an individual who is high in SDO toward a low status group member is essentially a manifestation of strong dislike for affirmative action instead of a constructive response toward a high performing low status group member.

**Practical Implications**

The findings of this investigation can have a real impact in an organizational setting. First, it remains important to demonstrate, with qualifications and requirements, that an individual who receives affirmative action is actually skilled and capable. Previous work demonstrated the importance of this behavior in a work setting without concurrent regard to a specific individual difference (i.e., SDO) and contextual factors (e.g., performance ratings). We have extended previous findings to demonstrate that individual differences and contextual concerns (i.e., affirmative action, performance ratings) may be critically important for a high SDO evaluator. People high in SDO are inclined to have a negative response toward low status group members, especially if they are an affirmative action recipient. To avoid this likely bias, the employee’s credentials need to be apparent. Second, and surprisingly, organizations should ensure that those high in SDO do not overcompensate low status group members for performing well when they do not receive hierarchy attenuating assistance (i.e., affirmative action). It appears that the disdain for affirmative action, and similar policies, are
so great that when a suitable low status group member employee bypasses these opportunities they are rewarded with higher ratings by evaluators high in SDO.

Limitations and Future Studies

This study was conducted utilizing undergraduate students. Thus, this study has a lower external validity than one conducted in an actual organization, but a higher internal validity than a typical investigation performed within a business setting. In addition, one of the control variables (i.e., social desirability) has a lower level of reliability than expected; however, previous research suggest that social desirability short form scales may have lower reliabilities in some context (e.g., Moss, 2008; Thompson & Phua, 2005). Nevertheless, this scale is well established within the literature and found to be dependable (Moss, 2008). This study is also limited because we only focus on one individual (i.e., an African American male) for our dependent variable. It would be helpful if we also investigated how participants respond to other low status group members like women or Latinos.

The decision to study male respondents, a strength of the paper, proved beneficial as their responses were indeed enhanced depending on the employee’s performance ratings and whether the employee received affirmative action. Future studies may want to determine whether women who are high in SDO would respond in a similar manner. Indeed, it would also be interesting to see if low status group members (e.g., immigrants, Native Americans) who are high in SDO respond to recently promoted low status group members in the same manner. Further, this study provides enough support to justify utilizing resources and funds to investigate similar behaviors in an actual organization. The ideal would be to assess the levels of SDO in evaluators/assessors and study how they respond to an array of low status group members who were recently promoted and who may or may not have received affirmative action and/or high performance ratings.

CONCLUSION

Affirmative action remains a contentious issue within our society. Traditionally considered lower status groups (e.g., women) who receive affirmative action are often responded to differently (i.e., more negatively) than those who do not receive affirmative action (Heilman, Block, & Stathatos, 1997). In addition, individuals high in SDO generally respond negatively to low status group members (i.e., minority groups) (Sidanius & Pratto, 1999). However, in a desire to snub affirmative action recipients an individual high in SDO may inadvertently reward a high performing low status group member (i.e., an African American male) who performs well and advances within an organization if they have not received affirmative action, especially when the opportunity to receive affirmative action was available.

REFERENCES


Table 1
Correlation Table

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<tr>
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<th>Mean</th>
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N = 194.

**p ≤ 0.01.

*p ≤ 0.05.
### Table 2 - Evaluation of Recently Promoted African American Male

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Note. N = 194.

* p ≤ .05.

** p < .01.
Figure 1. The interaction among SDO, affirmative action, and performance ratings on the evaluation of a recently promoted African American male employee.
IS BIGGER BETTER?
THE IMPACT OF NETWORK SIZE ON RADICAL INNOVATION
John De Leon, The University of Texas at Arlington, jdeleon@uta.edu

ABSTRACT

It is well established that the nature of incremental and radical innovation is significantly different. Despite this established difference, past research into network structures and innovation has failed to adequately distinguish between the natures of the two innovative activities within their operationalizations and as a result may have failed to identify how network characteristics differentially impact radical innovations as opposed to incremental innovations. We address how network characteristics – size and knowledge stock – relate to radical innovation; and attempt to address the mechanisms through which these network characteristics impact both the probability of radical innovation and its usefulness.

THE IMPACT OF NETWORK SIZE ON RADICAL INNOVATION

In today’s competitive business markets firms press hard to create technological innovations in the hopes of creating value for themselves and their customers while being able to squash competitors (Davis & Eisenhardt, 2011; Obstfeld, 2005); the role that innovation plays in a firm’s ability to remain competitive has not gone without notice within the literature (Ahuja, 2000; Simsek, Lubatkin, & Floyd, 2003). Despite extensive research into the area of innovation, involving multiple levels and spanning multiple domains, several questions remain concerning the specific role social networks play in the innovation process (Obstfeld, 2005). Although major technological breakthroughs tend to be driven by the behavior of individuals (Hess & Rothaermel, 2011; Rothaermel & Hess, 2007; Tushman & Anderson, 1986), that behavior is embedded within interpersonal networks (Granovetter, 1985); past research has already demonstrated a clear link between different social network measures and innovation or knowledge creation (e.g. Ahuja, 2000; Hargadon & Sutton, 1997; McFadyen & Cannella Jr, 2004) however, a key issue that has generally been missed is a distinction in the types of innovation measures used (Hemphälä & Magnusson, 2012). Particularly, with a few exceptions, studies involving networks and innovation have not distinguished between radical and incremental innovations within their operationalizations, tending to emphasis incremental innovations. Incremental innovations build upon established designs and structures, while radical innovation represents a significant, “revolutionary” change that disrupts current systems and can destroy existing competencies of firms (Aagaard & Gertsen, 2011; Christensen, 1997; Henderson & Clark, 1990). Incremental and radical innovations represent substantially different processes and outcomes for the firm and as such we must consider if network inputs to the innovation process are also substantially different (Dougherty & Heller, 1994; Ettlie, Bridges, & O'Keefe, 1984).

We consider the issue of how network characteristics may impact the probability and usefulness of radical innovation, focusing particularly on explanations from embeddedness and institutional theory literatures. We first review the literature on innovation – highlighting the distinction between radical and incremental innovation – social capital – highlighting the overall foundation from which we will argue – and embeddedness – emphasizing the role of legitimacy as it relates to relational embeddedness. We then develop several propositions that
develop a model that highlights the role networks may have on radical innovation. Finally, we end with an examination of several key issues that we do not address but would be of benefit based upon existent research.

**THEORY**

**Innovation**

Innovation has been defined as the “commercial application or adoption of invention” (Schumpeter, 1939). While this broad definition does not include a typology, by far one the most recognized classifications is between radical and incremental innovations. Incremental innovations represent minor improvements, adjustments, or refinements to existing products, processes, or paradigms – evolutionary improvements (Dewar & Dutton, 1986; Henderson & Clark, 1990). Radical innovations represent significant, revolutionary improvements, that are often discontinuous in nature and disruptive to existing market structures, designs, or products (Christensen, 1997; Dewar & Dutton, 1986; Henderson & Clark, 1990).

Radical and incremental innovations represent two distinct categories of innovation that require different capabilities and process to be carried out successfully (Ettlie et al., 1984; Tushman & Anderson, 1986) and that produce different outcomes. Incremental innovations tend to develop from existing technological trajectories (Dosi, 1988) that represent reliance on previous solutions to current organizational problems (Tripsas, 1997). Radical innovation requires that novel or distant knowledge (Charles Galunic & Rodan, 1998; Hill & Rothaermel, 2003; Obstfeld, 2005) be considered and applied. Research has demonstrated that incremental and radical innovations differ in the way problems are structured, how solutions are sought, and how processes are supported (e.g. Aagaard & Gertsen, 2011; Ettlie et al., 1984). In addition, radical innovations take longer to develop than incremental innovations (Verworn, Herstatt, & Nagahira, 2008) and add more knowledge and competitive advantage to the firm (Danneels & Kleinschmidt, 2001; Leifer, 2000; Veryzer Jr, 1998).

The process of innovation is understood to be a social process (Borgatti & Foster, 2003; Kogut & Zander, 1992; Ming-Huei & Kaufmann, 2008; Obstfeld, 2005) that involves the recombination of existing knowledge (Davis & Eisenhardt, 2011; Fleming, 2001; Schumpeter, 1934). As individuals or organizations come together they bring in outside knowledge from unique backgrounds (Hayek, 1945) that is critical in the innovation or recombination process (Cohen & Levinthal, 1990). The willingness to collaborate and contribute existing knowledge to the innovation process becomes the catalyst that enables innovation to occur (Cockburn & Henderson, 1998). It is because of this – innovation being a socially driven process, an interaction between knowledge and socio-cultural context (Ming-Huei & Kaufmann, 2008) – that the examination of radical innovation in the context of the social networks in which it takes places becomes important. As past research has shown, network components have a demonstrated and consistent relationship with innovation (e.g. Ahuja, 2000; Hargadon & Sutton, 1997; McFadyen & Cannella Jr, 2004).

**Networks & Social Capital**

At the most basic level a social network consists of actors that are connected or related through a set of ties. The specific pattern of linkages and the relationships that those linkages represent are the basis for social capital (Ming-Huei & Kaufmann, 2008; Nahapriet &
Ghoshal, 1998). Two basic approaches to the understanding and analysis of networks and social capital are popular within the literature: a structural approach and a connectionist approach (Borgatti & Foster, 2003; Rodan & Galunic, 2004).

The structural or configurational approach is characterized by an examination of the attributes of particular networks. This stream is most notably characterized by the work of Burt (1992) and Coleman (1990) who look at attributes such as centrality and connectedness (density) in examining networks. It is this stream that Salancik (1995) originally criticized as lacking a theoretical basis. Common characteristics that this stream examines includes the strength of ties, whether they are weak or strong (Hansen, 1999; McFadyen & Cannella Jr, 2004; Perry-Smith & Shalley, 2003), network density, closely related to the concept of connectedness, the number of existing ties out of a set of all possible ties (Gnyawali & Madhavan, 2001; Obstfeld, 2005; Rowley, Behrens, & Krackhardt, 2000), and centrality, the position of specific actors in a network (Brass & Burkhardt, 1993; Ibarra, 1993).

Further, those following a structural approach tend to adopt one of two perspectives. One position, proposed by Coleman (1988; 1990) touts the benefits of closed network structures, that is having multiple connected alters. Coleman argued that closed network structures provide for greater trust and enforcements of norms. Empirical research has supported these arguments, for instance Gnyawali & Madhavan (2001) found that dense (more closed) networks had stronger shared norms and better ability to sanction actions. The other perspective, proposed by Burt (1992), suggests that open networks are more ideal; that is the more structural holes available to span, the greater potential for influence and power in the form of information benefits; this position is also supported in research, for instance Rowley et al (2000) found that strong and dense ties were negatively related to firm performance. Ultimately, it must be concluded, in line with Obstfeld, that the optimal network structure depends upon the purpose, while sparse networks are more likely to foster radical innovation, dense (closed) networks are better able to initiate and maintain action and change (Obstfeld, 2005).

The second approach focuses on the content that flows between actors in a network (Borgatti & Foster, 2003). This approach is less developed and researched but can be seen in the works of Lawler & Yoon (1998), Lin (2001), Podolny (2001), and Uzzi (1996). We would argue that this stream captures the essence of social capital. Social capital was originally defined as the changes in relations among persons that facilitate action (Coleman, 1988), with three primary dimensions that consisted of obligations and expectations, information channels, and norms; Nahapiet & Ghoshal (1998) later argued that social capital consisted of the network and the resources that may be mobilized through that network; they emphasized three different components, the structural, relational – which they compare with Granovetter’s (1985) structural and relational embeddedness – and cognitive dimensions.

Relational Embeddedness

Discussions on social capital draw out the role of embeddedness in guiding every day actions. Although Nahapiet & Ghoshal (1998) speak of structural, relational, and cognitive social capital, we focus our attention specifically on the relational aspects of embeddedness. Relational embeddedness focuses on the obligations to and expectations of networks, and also focuses on the sanctions that are imposed when actors violate specific norms (Coleman, 1988;
Granovetter, 1985). The discussion on expectations and sanctions is very similar to the role of legitimacy in institutional theories and has been used as explanations for specific behaviors in network analysis (e.g. Burt, 1997). Under institutional theories, myths or norms develop that transcend economic judgment and become powerful guiding forces in shaping behavior (Meyer & Rowan, 1977). Actions become responses to the social construction of knowledge in an attempt to gain legitimacy and social resources (DiMaggio & Powell, 1991; Mizruchi & Fein, 1999). The focus of legitimacy judgments tends to focus on pragmatic, moral, relational and cognitive basis for granting legitimacy (Suchman, 1995; Tost, 2011). Under pragmatic aspects, the focus is on judgments of the value contributed to society by certain actions or entities (Tost, 2011); legitimacy, tends to be granted to actions that operate within the boundaries of established norms (Dougherty & Heller, 1994); actions and entities that deviate from existing structures face an uphill battle in trying to gain legitimacy (Dougherty & Heller, 1994).

**PROPOSITIONS**

We first examine influences into the probability of radical innovations, factors that affect the likelihood of radical innovation, and then examine how those same factors might affect the usefulness of radical innovations. We argue that while many of the factors that drive the likelihood of radical innovation also positively impact the usefulness of radical innovations, at least one factor has an opposite impact.

**Individual Knowledge Stocks and the Probability of Radical Innovation**

Innovation has been defined as the novel application of an invention (Fleming, 2001; Schumpeter, 1939), where invention has been defined as the new use of existing knowledge (Arrow, 1974). Knowledge serves as the basis for absorptive capacity, the ability of firms and individuals to recognize, assimilate, and apply to commercial ends inventions (Cohen & Levinthal, 1990; Lane, Koka, & Pathak, 2006).

Past research has emphasized the role that existing knowledge stocks serve as the starting point for solutions (e.g. Stuart & Podolny, 1996). Existing knowledge stocks are starting points in the search for solutions and tend to lock individuals and organizations into particular technological trajectories (Dosi, 1988), shaping the scope and direction of new knowledge creation (McFadyen & Cannella Jr, 2004). Although a broad search for information is difficult to achieve without outside knowledge, a deep search can emerge (Davis & Eisenhardt, 2011). If we consider only the individual, then the number of recombination’s and individual can engage in is a function of the depth and breadth of his or her current knowledge stock. As a result, the likelihood of radical innovation increases as the size of the individual’s knowledge stock increases.

*Proposition 1: The knowledge stock of the individual is positively related to the probability of radical innovation. As the breadth and depth of an individual’s knowledge stock increases, so does the likelihood of radical innovation.*

**The Role of Information Accessibility**

Although proposition 1 implicitly assumes that individuals are bound by their own existing knowledge stocks, this does not accurately capture reality. A tremendous amount of
information is available in codified forms: publications, manuals, and other reference sources exist and can increase the individual’s knowledge stock, but more importantly can serve as banks of information during the search process. Limiting an individual to their own existing knowledge stocks necessarily limits the extent to which radical innovation can be achieved (Leifer, 2000; Majchrzak, Cooper, & Neece, 2004); in today’s environment, however, the individual has available to them multiple stores of codified knowledge. This codified knowledge can serve as a supplement to existing knowledge stock. This point was recognized by Shane (2000) who argued that the discovery process is a function of the amount of information in a society. Although individuals prefer to begin with a more local search, when acceptable solutions fail to materialize individuals expand their search process (Majchrzak et al., 2004; Mezias & Glynn, 1993). The ease through which codified stores of information can be accessed will impact the probability of radical innovation. More easily accessible information, should lead to a higher number of recombination’s, other things held constant.

**Proposition 2:** Information accessibility positively moderates the relationship between the knowledge stock of the individual and the probability of radical innovation such that the relationship will be stronger when information is easily or freely accessible and constant when information is not freely or easily accessible.

**The Role of Networks**

Although codified stores of information are helpful in the search process, existing research suggests that individuals prefer to go to others for help instead of going to codified stores of information (Levin & Cross, 2004), because of this it becomes important and necessary to consider the role of available contacts in providing knowledge to the search process. Although most research implicitly assumes that the size of a network is positively related to the knowledge stock possessed within the network (Obstfeld, 2005; Rodan & Galunic, 2004), this is rarely directly tested; considering that not all similarly sized networks can be expected to provide the same amount of content, we see this as a necessary additional consideration. Knowledge is imperfectly held between actors (Hayek, 1945); while generally, as the size of a network grows, the cumulative knowledge stock will also increase, however, when considering the impact of the size of networks it is important to consider the cumulative knowledge stock that unique networks represent. It is possible to have a large network with a small cumulative stock of knowledge, compare for instance a group of high school graduates to a group of PhD’s; it is not appropriate to consider the knowledge stocks of ten high school graduates equivalent to the knowledge stocks of ten PhDs.

**Proposition 3:** The size of a network is positively related to the breadth and depth of the knowledge stock of the network.

We have already emphasized the role that existing individual and codified knowledge serves in the recombination and innovation process. Similarly, Davis & Eisenhardt (2011) emphasize the importance of accessing the diverse knowledge stocks of multiple participants for the recombination and innovation process. In many respects the role of the knowledge stock of the network is similar to the role of the knowledge stock of the individual. The main difference is the need to communicate between individuals to transfer that knowledge; sufficient overlap needs to exist so that knowledge can be meaningful and useful (Cohen & Levinthal, 1990; Nonaka, 1994). We explicitly draw out the cumulative knowledge stock of
the network to address differences in the content those networks possess. Past research has demonstrated the roles played by specialists (Davis & Eisenhardt, 2011; Dewar & Dutton, 1986; Rothaermel & Hess, 2007); as a result we suggest it is necessary to directly examine the role knowledge stocks play in the radical innovation process.

**Proposition 4:** The knowledge stock of a network is positively related to the probability of radical innovation.

Having appropriated the benefits of knowledge stock inherent in networks, another key feature becomes important to focus upon. As previously noted, linkages between individuals represent channels for social capital (Coleman, 1988; Nahapiet & Ghoshal, 1998), social capital, at least in part deals with norms and expectations of behavior (Coleman, 1988). The norms that become established within a network represent strong allegiances to established designs that limit the scope of what is considered appropriate search behaviors (DiMaggio & Powell, 1983; Dougherty & Heller, 1994; Henderson & Clark, 1990; Meyer & Rowan, 1977). Networks represent strong pressures to conform to existing standards in order to avoid sanctions; this effectively constrains action (Coleman, 1988). This social normative pressure is so strong that individuals often conform without explicit intention to do so (Janis, 1982; van Wijk, Jansen, & Lyles, 2008). Even when individuals are granted autonomy, research has found that pressures of norms produce considerable conformity (Powell, 1985).

Within organizations, norms concerning economic value and usefulness guide what is acceptable. Radical innovation, and the knowledge it represents, are held to socially constructed measures of evaluation (Mizruchi & Fein, 1999; Nonaka, 1994; Shane, 2000). Since radical innovations represent departures from existing designs and routines, they require a significant amount of additional justification to meet standards of social and economical fitness (Oliver, 1996). The natural tendency of individuals is to value solutions that represent continuations of past programs higher then solutions that represent a departure from past programs (March & Simon, 1958). The preference for continuity and the increasing ability to sanction – represented by increasing network size – create strong barriers to an individual’s ability to pursue and develop radical innovations.

Individuals that pursue radical innovations must continue their search for solutions when others fail to see value and as their actions violate the norms that guide established practice (Dougherty & Heller, 1994). The structure of this argument is similar to one adopted by Burt (1997) who used the number of peers as a proxy for competition, legitimacy, and the need to defend actions to external constituents. Burt argued that the fewer individuals that were in the same role as the focal individual within an organization, the more it became necessary for the ego to justify their existence and champion for resources (Burt, 1997; Dougherty & Heller, 1994). Since radical innovations represent actions and views that are novel and distinct from existing structures (Hill & Rothaermel, 2003) individuals most overcome norms that may not be able to accurately and fairly evaluate the quality and usefulness of those radical innovations.

**Proposition 5:** After controlling for the effects of knowledge stock, there is a negative relationship between the size of a network and the probability of radical innovation.
Although we have focused on the role networks play in prohibiting radical innovation, it must also be considered that the enforcement of norms can also serve to strengthen or increase the willingness to radically innovate. Networks can develop norms that counteract the tendency to favor incremental improvements and foster climates that encourage radical innovations (Hill & Rothaermel, 2003). When networks possess shared beliefs that radical or discontinuous change is preferred and necessary the need to justify radical innovations is reduced. Thus we argue:

**Proposition 6:** A norm of radical innovation within a network negatively moderates the relationship between network size and the probability of radical innovation such that the stronger the norm of radical innovation the weaker (less negative) the relationship between network size and the probability of radical innovation.

**FIGURE 1: PROBABILITY OF RADICAL INNOVATION**

Usefulness of Radical Innovation

We have presented a model examining how two aspects of a network may impact the probability of radical innovation. Up to this point, we have ignored any discussion about the quality or usefulness of the radical innovation other than in the context of strong barriers to fair evaluations about quality; we now shift to examining the role a network plays in the usefulness of a radical innovation.

Knowledge stocks serve as the basis through which innovation becomes possible (Cohen & Levinthal, 1990; Lane et al., 2006; Stuart & Podolny, 1996). The relationship between knowledge stocks and innovative performance is generally considered positive (Hill & Rothaermel, 2003; Hitt, Bierman, Shimizu, & Kochhar, 2001). As the pool of search opportunities expands, so too does the expected variance (Mezias & Glynn, 1993). We argue
that an expanded base of knowledge will allow individuals and networks to make better judgments of the expected value of radical innovations (Cohen & Levinthal, 1990) and will result in the selection and pursuit of more useful opportunities. Here we employ the term usefulness to denote a higher quality innovation that has a better strategic fit and one that will more likely result in recognized economic gain and adoption.

**Proposition 7A & (B): The knowledge stock on an individual (network) is positively related to the usefulness of radical innovations.**

Since established norms within networks tend to base themselves around economic and social fitness (Oliver, 1996), the usefulness of innovations that come out of networks tend to be higher. The threat of sanctions and illegitimacy prevent innovators from pursing radical innovations with low or highly uncertain value (Mezias & Glynn, 1993; Simsek et al., 2003). Since the pursuit of radical innovations entail a greater risk of sanctions, only those radical innovations that can be strongly justified will be pursued (Hemphälä & Magnusson, 2012). Further, since the risk of all innovation is disproportionately borne by the innovator (Levinthal & March, 1993) it behooves innovators to only pursue radical innovations that meet higher standards of judgment and likelihoods of success.

**Proposition 8: The size of a network is positively related to the usefulness of radical innovations.**

**FIGURE 2. USEFULNESS OF RADICAL INNOVATION**
CONCLUSIONS AND LIMITATIONS

We have developed a model of how two network characteristics, size and knowledge stock, may impact the probability of radical innovation. Although the positive relationship between knowledge and innovation in general does not represent a novel idea, we argue that our contribution to the literature is the examination of the negative impact of network size on radical innovations and an emphasis on the need to partition out variance due to knowledge stock versus other network characteristics. Previous research has found an inverted-U relationship between network size and innovation or knowledge creation (e.g. McFadyen & Cannella Jr, 2004), however, we argue that this relationship is characteristic of incremental innovations rather than radical innovations. We choose not to expand our discussions to the impact of these characteristics on incremental innovation due to the substantial body of research that currently examines network characteristics and innovation using measures that disproportionately capture incremental innovations (e.g. Ahuja, 2000; Hargadon & Sutton, 1997; McFadyen & Cannella Jr, 2004).

In our attempt to produce a parsimonious model we have introduced several limitations to our theoretical development. First, we have not explicitly developed arguments for the entrepreneurial orientations of the ego or how these orientations might impact network size (through selection processes) or the probability of radical innovation. It should be expected that individuals who have a propensity to innovate and are more willing to risk sanctions will have a higher likelihood of radical innovation (Miller, 1983; Shane, 2000). Second, although we have reviewed the issue of sparse (open) versus dense (closed) networks, we did not include the impact specifically within our model. Research has already addressed the suitability of different network configurations for incremental and radical innovation (e.g. Obstfeld, 2005), although an empirical consideration of the difference in optimal points for each type of innovative outcome might be worthy to pursue. Third, we did not discuss the role of centrality or multiple stakeholders on the radical innovative process. It would be interesting to consider how power and constraint affect more central egos in the radical innovation process.

Our model remains to be tested, however if our expectations are accurate then it would seem to suggest that firms interested in fostering radical innovation should seek to hire individuals with deep and broad knowledge, make available to them indexed, easily searchable databases of quality information, and limit the size of networks surrounding those individuals while maximizing knowledge on a per actor basis.

REFERENCES


HOW CAMERA MAKERS KNIT THEIR SOCIAL NETWORKS TO BECOME INNOVATIVE?
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ABSTRACT
This paper explores the mechanisms embedded in the relationship between the network status and innovations. Little prior research answered the relationship between M&A, strategic alliances and innovations and how innovations are influenced by strategic alliances and M&A activities. In addition, how network characteristics like networks status influence innovations was not systematically studied. I offered a systematic framework to investigate these issues. I argue that firms use the resource access mechanism and the market control mechanism to knit their social networks and influence the social capital accumulation, which in turn affects the firms’ innovations ability.

Key words: Networks Status, Social Capital, Innovations, M&A, Strategic Alliance

INTRODUCTION
The rapid proliferation of strategic alliances has been the one of the more enduring features of the business environment over the last two decades. This trend of multiple alliances with multiple partners has embedded firms in a complicated interfirm network world (Balajir and John, 2002). Recognizing the intertwined networks relationships among firms, strategic researchers increasingly use social networks perspective to explain strategic alliances formation. For example, Stuart (1998) and Chun (2000) found that higher network status leads to higher rates of strategic alliance formation, because high-prestige firms enjoy an advantage that stems from their unique capacity to certify in the public eye the initiative of lesser-known firms (Stuart, 1998). On the other hand, Wernerfelt (1984) suggested that corporations formed certain cooperation forms to get the complementary resources which they lack, and Gulati (1998) proposed that strategic alliances may lower the negotiation and other related cost because it entails the creation of a new entity with shared equity between partners. Therefore, strategic alliance formation is an effective way for companies to access strategic assets with lower cost, in other words, strategic alliance formation is a resources access mechanism. Network status, however, is a driver for such mechanism. Traditional economics defines market power in terms of the number and concentration of sellers in the market and argues that fewer major sellers may place greater exclusivity and discretion. Identifying dual conditions for market power, Galbraith and Stiles (1983) proposed that the exclusivity by which companies provides for products, services and market will give rise to “monopoly power”. Manne (1965) pointed out that merger can help firms to gain such kind of monopoly power. In his study for the market control phenomenon in aluminum industry from 1903 to 1953, Wallace (1977) also found that acquisitions in the industry empowered certain companies with great market power which help them further control the market. Therefore, the M&A activity is regarded as a market control mechanism. In addition, traditional economics argues that the bigger the market power firms gain, the higher market concentration is expected to be. This also indicates that interfirm ties will be reduced with the intensive M&A activities because fewer companies survive in the market. In his study for the mechanism between the acquisitions and innovations, Hitt et al. (1996) found that acquisitions negatively influenced the internal innovations through the internal corporate control. Though many of research study the network status and alliance formation, the M&As and innovations,
few systematically put strategic alliances and M&A activities under social networks context to study their relationships with innovations, that is, how network status, strategic alliances, M&A activities, social capital and innovations interact with each other and what mechanism is embedded in their complicated relationships. This paper tries to explore such mechanism and proposes a systematic framework to incorporate all the constructs mentioned above. The paper is organized as following. First, the theoretical model and the hypotheses examined in this study will be presented, and then I will introduce the methods, followed by results. At last, I will discuss the results; the limitation and future research will be included.

Figure 1  Theoretical Model

THEORECTICAL MODELS AND HYPOTHESES

Network Status and Strategic Alliance Formation

Stuart (1998) and Chung (2000) proposed that higher network status leads to the higher rate of strategic alliance formation, because high-prestige firms enjoy an advantage that stems from their unique capacity to certify in the public eye the initiative of lesser-known firms (Stuart, 1998), thus easier to attract other partners. On the other hand, high prestige means more resources. But high status companies are always reluctant to form alliances because they do not want to share their own resources. For example, by year 2006, Harvard University library did not share EZ borrow with other Iive League universities because Harvard thought it enjoyed the richest resources, thus it was unnecessary to share with others. Here, I adopt the Stuart’s definition about network status or prestige-technological prestige. Because highly cited patents are those that have served as important building blocks (Stuart, 1998)

Hypothesis 1: There is a negative relationship between network status and strategic alliance formation

Network Status and M&A Activity Intensity

Though few research study the relationship between the network status and M&A activity intensity, we could expect that when a firm enjoys high prestige in the industry, the manager is more willing to strengthen the market power. Because when the high-prestige firm is a start-up, what it pursues in the next step should be growing itself, the fastest way should be acquiring other competitors. Here, popularity in the business community means easy access to financial capital or other resources to support the intensive M&A activities. Even if a high-
prestige firm is already the industry leader, the firm will still be intensively involving in M&A activities to keep their positions. On the contrary, if the prestige is low, managers do not have strong motivations to engage in M&A. For example, one CEO in a large format camera maker told me during the phone interview,

_We just focus on what we are doing now, we do not have much ambition to grow larger and have much power in the market. Currently, we are fine for everything that we did until now._ (Interpreted)

**Hypothesis 2: There is a positive relationship between network status and M&A activity intensity**

**Strategic Alliance Formation and Social Capital Accumulation**

Coleman (1988) argued that social capital is the foundation of human capital, and human capital could not take any effects without the social capital embedded in it. Burt (1997) stated that social capital will enable managers to explore more opportunities and information. The key to accumulate social capital is to form the social relations. Strategy scholars have argued that interorganizational ties such as strategic alliance or joint ventures are vehicles that provide firms with access to “information, resources, markets and technologies…and allow firms to achieve strategic objectives (Brass et.all,2004)”. Koka and Prescott (2002)’s empirical research also confirmed the positive relationship between the strategic alliance and the social capital, they also argued that firms vary in their levels of social capital not just on their structural position in an alliance network but also in the dynamics that underlie alliance formation and maintenance. In their study, Nahapiet and Ghoshal (1998), though indirectly, postulated that organizations, as institutional settings, are conducive to the development of high levels of social capital. In addition, Coleman (1988) argued that with the network structure, good norms and rules will be enforced, which is one of the factors favoring the social capital formation. Therefore, alliance formation is a type of social tie between the two firms, with such ties, firms may easily get access to or digest the other competitors’ strategic assets. More importantly, the relation between the two firms is built up and strengthened, and social capital is therefore accumulated.

**Hypothesis 3: There is a positive relationship between strategic alliance formation and social capital accumulation**

**M&A Activity Intensity and Social Capital Accumulation**

M&A activity intensity is regarded as a tool of market control as mentioned at the beginning. When managers are busy acquiring other firms, their focus will not be on forming ties with other players. The emphasize on the financial control distracts managers to ignore the importance of the relations building internally and externally. In his research, Jeffrey (1972) argued that merger will be a way for firms to reduce symbiotic interdependence and avoid the previous interdependencies. Such dependence, to some extent, means breaking the connection with other players, which isolated the firms from the networks. In that case, the social capital will be lost.

**Hypothesis 4: There is a negative relationship between M&A activity intensity and social capital accumulation**

**Social Capital and Innovations**
Burt (1992) proposed that the innovations spread via the social contagion of structural equivalence. Tsai (1998) found that social capital positively increases the firms’ value creation. The similar arguments appear in the Nahapiet and Ghoshal (1998)’s work, they pointed out that social capital facilitates the creation of new intellectual capital and it is because of organization’s more dense social capital that firms, within certain limits, outperform markets in creating and sharing intellectual capital. In addition, in his research, Tertius (2005) indirectly supports the above finding, and found that there exists a negative relationship between the social constraint and the innovation involvement. Burt (1997) has proved that there exists a negative relationship between social constrain and social capital. Therefore, we could expect that the more people involve in innovation, the higher innovation ability will be gained. Thus, we get the following hypothesis.

Hypothesis 5: There is a positive relationship between social capital and innovations

METHODS

Sample

The time span of my research is from year 1976 to 2008. The initial firm list was based on camerapedia because it contains the most comprehensive firm list to the best of my knowledge, I then compared this list with Wolfman Report on the Photographic and Imaging Industry in the U.S., Popular Photography (Kadiyali, 1996) and made a more comprehensive firm list. Subsequently, I excluded the companies from the list which have not been active since year 1976, and then kept the companies which produced cameras in our study time frame. Finally, I filtered out the firms whose company specific information could not be found from any public sources. Finally, I got a final focal firm list containing 115 firms.

Data Collection

Company basic information was obtained from multiple internet resources, company websites and databases like Factiva. Company basic information is firm-level data, such as firm age, firm history, product information and business operation information and so on. Financial data were retrieved from multiple databases such as COMPSTAT, Bureau van Dijk, Worldscope, Hoover, Corp-Tech, InvesText, Orbis, Zephyr and VentureXpert. Strategic alliances and M&As data were collected from the SDC Platinum database and verified using Lexis-Nexis, Factiva, company websites and SEC filings, the alliance and M&As information were included unless at least the three of the above resources have the same information as SDC. Following the earlier research (Rowley, Behrens, and Krackhardt, 2000 and Lin et al., 2009) and the focus of this study is in photographic industry, I constructed the alliance network by three criteria: (1) membership in the photographic industry; (2)At least one strategic alliance with another member of this industry; (3)The deal contents of alliances should be directly related to the photographic businesses. A total of 594 strategic alliances were identified. For M&As, I identify 296 M&A deals. Since the termination date which SDC reports is very few and there are large exits and entries phenomenon for focal and non-focal firms which violates the balance theory, I therefore only calculated the social constraint annually rather than a certain time window using a ego-centered approach. Finally, patent data were collected from Derwent Innovations Index. I only collected photographic and lens patents because photographic industry and camera makers are my main focus.
Measures

To test hypothesis 1 and 2, following the previous research (Stuart, 1998; Z. Lin et al., 2009), I operationalized the dependent variables in the firm-level models as the count of strategic alliances and of M&A deals by each organization from year 1976 to 2008. Hence, the data are panel observations. I use maximum likelihood Poisson Regression, which can be expressed as:

\[ \Pr(Y_{it} = y_{it}) = \frac{\exp(-\lambda_{it})\lambda_{it}^y}{y_{it}!} \]  

(1)

where the parameter \( \lambda_{it} \) represents the mean and the variance of the event count. Though the assumption of Poisson Regression states that the mean and variance should be equivalent (Hausman, Hall and Griliches, 1984) and such assumption is often violated in practice, Stuart (1998) proved that the results of regression are not sensitive to the assumption. Following the previous research (Pfeffer, 1972), I developed models to test hypothesis 3, 4 and 5 using random-effect GLS regression. Random-effect regression assumes that some omitted variables may be constant over time but vary between cases, and others may be fixed between cases but vary over time. In addition, the Hausman test indicated that random-effect regression will better fit the model. To avoid the potential interdependence issues, I also run the one year lag for all the independent variables and control variables, the signs of coefficients do not change and the results are not reported here.

Dependent Variables

To test Hypothesis 1 and 2, I used the yearly count of strategic alliances and of M&A deals of a focal firm to represent the strategic alliance formation and the M&A activity intensity, these measurements are often used by other studies (Pfeffer,1972; Stuart,1998;Chung,2000; Rowley et al.,2000; Z.Lin et al.,2009). To test Hypothesis 5, I measured the internal innovations as the R&D expenditure per $1000 sales following the studies of Hitt et al. (1996), this variable is commonly used to assess input into the innovation process (Hitt et al., 1996).

Independent Variables

To capture the popularity of a firm in the networks, I adopted Stuart’s (1998) technological prestige measurement as the indicator of network status. Because patent citations reflect technological building relationships and highly cited patents are those that have served as important building block (Stuart, 1998). On the other hand, Knoke and Burt (1983) stated that an actor is prestigious when it is the object of relationship from other actors in a network of directed ties. Stuart defined the technological status as follows,

\[ D_{it} = \frac{\sum_j c_{jit}}{L_t} \]  

(2)

where \( D_{it} \) denotes the prestige of firm i at time t, \( c_{jit} \) was coded as 1 when a patent of firm j cited a patent of firm i during the interval t, and \( L_t \) was the total number of citations accruing to all photographic firms during the interval t. The restriction \( i \neq j \) was imposed so that patent self-citations did not contribute to a firm’s prestige level. Here, I just simply used the prestige of each year to capture the network status of firms, because the photographic industry is the one that the focuses of firms do not change continuously. In addition, I also run the five year window analysis to test the impact of network status on the strategic alliance formation (Stuart,1998), the signs of coefficients do not change. To test hypothesis 3
and 4, I use the count of strategic alliances and M&A deals of each year to capture the resources access mechanism and market control mechanism. To test hypothesis 5, I adopted an ego-centered approach to calculate social constraint. In his research, Burt (1992, 1997) argued that there is a negative relationship between social constraint and social capital. Because I am interested in exploring the relationship between the strategic alliance formation and the M&A activity and social capital accumulation, I therefore used the social constraint to represent the social capital. The formal formula of the social constraint can be expressed as:

\[ c_{ij} = \left(p_{ij} + \sum_{q=1}^{Q} p_{iq}p_{qj}\right)^2 \]  

where \( c_{ij} \) is the constraint of absent, \( p_{ij} \) is the proportion of the value of i’s relation(s) with j compared to the total value of all relations of i (Burt, 1992), the social constraint was calculated using Pajek 1.23.

**Control Variables**

For hypothesis 1, 2 and 5, I controlled for the similar set of variables, any differences will be pointed out. For the models testing hypothesis 3 and 4, I only controlled the firm size because larger firms are always expected to have more social connections. The previous research stated the positive and negative impacts of diversifications on innovations (Cohen and Levin, 1989; Ahuja, 2000). Therefore, dummy multidivision was set to 1 if a camera firm has more than 3 business divisions. Past performance may affect the formation of M&As (Haunschild, 1993). I controlled past performance using the averaged return on assets during the previous two years (Z. Lin et al., 2009). For strategic alliance formation, Stuart (1998) argued that a number of studies had found no effects of accounting measures of performance on alliance formations. Therefore, I do not include firm performance as a control in models testing the impacts of the network status on strategic alliance formation. To test hypothesis 5, I followed the study of Ahuja (2000), I just simply control the yearly ROA as firm performance. Previous studies have issued calls for the rigorous research on the role of institutional environments (Meyer et al., 2009; Peng, 2003; Peng et al., 2008). Lin et al. (2009) found that institutional differences may affect the formation of M&As, Hitt et al. (2000, 2004) also argued that country of origin will affect the partner selection. Therefore, I included developed area and underdeveloped area as two dummy variables to reflect the institutional settings. Here, developed areas and underdeveloped areas do not only point to the economic and political context, they mainly reflect the maturity level of the photographic industry, this is a little different from Lin et al. (2009). The developed area set to 1 if the firm’s headquarter is located in USA, Japan and Germany. The underdeveloped areas is set to 1 if the firm’s headquarter is located in none of the countries mentioned above. To test hypothesis 5, because different institutional settings may cause different industry policies and business environments which influence innovations, I also include institutional development as a control variable modeling hypothesis 5. Tan and Peng (2003) stated that organization slack may influence managers pursuing acquisitions. Following the previous research (Stuart, 1998; Cheng and Kesner, 1997; Z. Lin et al., 2009), I used debt to assets ratio and recoverable slack (general and administrative expenses/sales) to measure the organization slack. In addition, it is said that digital camera became a watershed for the photographic industry. The digital cameras also shaped the industry thereafter. I included digital camera controlling the possible effect in the models testing hypothesis 1, 2 and 5. The variable was equal to 1 if a firm produced digital cameras in its product portfolio in the research time frame. Other control
variables include firm size (measured by logarithm of total sales), firm age (the difference between the firm’s founding year and year 2008), and firm’s number of prior M&As and alliances deals (one year lag for the number in a given year). Because Ahuja (2000) found that direct ties have positive impact on innovations, I include strategic alliance counts as a control variable to test hypothesis 5.

RESULTS

Table 1 reports the descriptive statistics of means, standard deviation and correlation matrix for all independent and control variables; Table 2 presents Poisson maximum-likelihood regression results of models testing hypothesis 1; Table 3 reports Poisson maximum-likelihood regression results of models testing hypothesis 2. Table 4 presents the random-effect GLS regression results of models testing hypothesis 3 and 4 and Table 5 reports the random-effects GLS regression results of models testing hypothesis 5. Hypothesis 1 argues that the network status may negatively influence the strategic alliance formation. The coefficients between network status and the strategic alliance formation in model 3 and 4 are negatively significant at P<0.05, supporting hypothesis 1. Hypothesis 2 suggests that the network status may positively influence M&A activity intensity. The coefficients between network status and M&A activities intensity in model 7 and 8 are positively significant at P<0.1, supporting hypothesis 2. Hypothesis 3 examines the positive relationship between the strategic alliance formation and social capital accumulation. The coefficient between the strategic alliance formation and the social constraint in model 10 is negatively significant at P<0.1 in support of hypothesis 3. But the coefficient between the M&A Activity Intensity and the social constraint in model 10 is positively insignificant which is not supportive for hypothesis 4. Hypothesis 5 explores the positive relationship between the social capital and innovations. The coefficient between the social constraint and the internal innovations in model 13 is negatively significant at P<0.05 in support of hypothesis 5. Overall, all hypotheses except for hypothesis 4 have been supported. The findings suggest that a joint consideration of the strategic alliances formation and M&A activity intensity helps to understand how camera makers knit their social networks to influence the innovations. The positive role of social capital in innovations is confirmed (Results are shown in Table 1-5).
Table 1 Descriptive Statistics and Correlations

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<th>Mean</th>
<th>S.D.</th>
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<th>4</th>
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<th>6</th>
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<td>6.29</td>
<td>0.00</td>
<td>0.03</td>
<td>0.04</td>
<td>-0.12</td>
<td>0.21</td>
<td>0.03</td>
<td>0.07</td>
<td>0.02</td>
<td>0.18</td>
<td>-0.18</td>
<td>0.04</td>
<td>1.00</td>
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<td></td>
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</tr>
<tr>
<td>Firm performance</td>
<td>-0.16</td>
<td>4.85</td>
<td>0.00</td>
<td>0.02</td>
<td>0.03</td>
<td>-0.10</td>
<td>0.09</td>
<td>0.02</td>
<td>0.06</td>
<td>0.01</td>
<td>0.10</td>
<td>-0.10</td>
<td>-0.03</td>
<td>0.16</td>
<td>1.00</td>
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<tr>
<td>Social capital</td>
<td>0.54</td>
<td>0.38</td>
<td>-0.02</td>
<td>0.05</td>
<td>0.03</td>
<td>0.11</td>
<td>-0.44</td>
<td>-0.02</td>
<td>-0.12</td>
<td>-0.06</td>
<td>0.00</td>
<td>-0.00</td>
<td>-0.03</td>
<td>-0.25</td>
<td>-0.25</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic alliance formation</td>
<td>1.83</td>
<td>1.73</td>
<td>0.43</td>
<td>-0.01</td>
<td>0.08</td>
<td>-0.19</td>
<td>0.01</td>
<td>0.18</td>
<td>0.12</td>
<td>0.34</td>
<td>0.07</td>
<td>-0.07</td>
<td>-0.13</td>
<td>0.27</td>
<td>0.15</td>
<td>-0.24</td>
<td>1.00</td>
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</tr>
<tr>
<td>M&amp;A activity intensity</td>
<td>0.08</td>
<td>0.48</td>
<td>0.10</td>
<td>0.09</td>
<td>0.13</td>
<td>-0.01</td>
<td>0.12</td>
<td>0.33</td>
<td>0.21</td>
<td>0.22</td>
<td>0.10</td>
<td>-0.10</td>
<td>0.04</td>
<td>0.02</td>
<td>0.01</td>
<td>-0.11</td>
<td>0.21</td>
<td>1.00</td>
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### Table 2  Effect of Network Status on Strategic Alliance Formation

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<thead>
<tr>
<th>Variables</th>
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<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
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<tr>
<td><strong>Control Variables</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm Size</td>
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<td>-0.12(0.305)</td>
<td>-0.12(0.304)</td>
<td>-0.12(0.304)</td>
</tr>
<tr>
<td>Developed Areas</td>
<td>-2.46(0.01)**</td>
<td>-2.46(0.008)**</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Underdeveloped Areas</td>
<td>-</td>
<td>2.46(0.01)**</td>
<td>-</td>
<td>-2.46(0.008)**</td>
</tr>
<tr>
<td>Firm Age</td>
<td>0.02(0.001)**</td>
<td>0.02(0.001)**</td>
<td>0.03(0.000)**</td>
<td>0.03(0.000)**</td>
</tr>
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<td>Multidivision</td>
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<td>0.68(0.263)</td>
<td>0.78(0.196)</td>
<td>0.78(0.196)</td>
</tr>
<tr>
<td>Digital Camera</td>
<td>-0.77(0.012)**</td>
<td>-0.77(0.012)**</td>
<td>-0.62(0.051)*</td>
<td>-0.62(0.051)*</td>
</tr>
<tr>
<td>Prior Alliances</td>
<td>-0.03(0.504)</td>
<td>-0.03(0.504)</td>
<td>-0.005(0.934)</td>
<td>-0.005(0.934)</td>
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<tr>
<td>Recoverable Slack</td>
<td>-3.30(0.287)</td>
<td>-3.30(0.287)</td>
<td>-3.57(0.254)</td>
<td>-3.57(0.254)</td>
</tr>
<tr>
<td>Debt to Assets Ratio</td>
<td>0.83(0.574)</td>
<td>0.83(0.574)</td>
<td>0.42(0.78)</td>
<td>0.42(0.78)</td>
</tr>
<tr>
<td><strong>Independent Variables</strong></td>
<td></td>
<td>-4.17(0.025)**</td>
<td>-4.17(0.025)**</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>27</td>
<td>27</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td>Log likelihood</td>
<td>-46.8453</td>
<td>-46.8453</td>
<td>-43.8421</td>
<td>-43.8421</td>
</tr>
<tr>
<td>$\chi^2$</td>
<td>34.77</td>
<td>34.77</td>
<td>40.77</td>
<td>40.77</td>
</tr>
<tr>
<td>Pseudo $R^2$</td>
<td>0.2706</td>
<td>0.2706</td>
<td>0.3174</td>
<td>0.3174</td>
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Note: *P<0.1; **P<0.05; ***P<0.01

### Table 3  Effect of Network Status on M&A Activity Intensity

<table>
<thead>
<tr>
<th>Variables</th>
<th>Model 5</th>
<th>Model 6</th>
<th>Model 7</th>
<th>Model 8</th>
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<tr>
<td><strong>Control Variables</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm Size</td>
<td>0.29(0.003)**</td>
<td>0.289(0.003)**</td>
<td>0.26(0.011)**</td>
<td>0.26(0.011)**</td>
</tr>
<tr>
<td>Developed Areas</td>
<td>-1.75(0.088)*</td>
<td>-</td>
<td>-1.59(0.129)</td>
<td>-</td>
</tr>
<tr>
<td>Underdeveloped Areas</td>
<td>-</td>
<td>1.75(0.088)*</td>
<td>-</td>
<td>1.59(0.129)</td>
</tr>
<tr>
<td>Firm Age</td>
<td>0.05(0.000)**</td>
<td>0.05(0.000)**</td>
<td>0.05(0.000)**</td>
<td>0.05(0.000)**</td>
</tr>
<tr>
<td>Multidivision</td>
<td>1.07(0.01)**</td>
<td>1.07(0.01)**</td>
<td>1.08(0.01)**</td>
<td>1.08(0.01)**</td>
</tr>
<tr>
<td>Digital Camera</td>
<td>0.65(0.006)**</td>
<td>0.65(0.006)**</td>
<td>0.57(0.02)**</td>
<td>0.57(0.02)**</td>
</tr>
<tr>
<td>Prior M&amp;A Deals</td>
<td>-0.01(0.811)</td>
<td>-0.01(0.811)</td>
<td>-0.02(0.65)</td>
<td>-0.02(0.65)</td>
</tr>
<tr>
<td>Past Performance</td>
<td>-4.48(0.02)**</td>
<td>-4.48(0.02)**</td>
<td>-4.79(0.014)**</td>
<td>-4.79(0.014)**</td>
</tr>
<tr>
<td>Recoverable Slack</td>
<td>-4.84(0.013)**</td>
<td>-4.84(0.013)**</td>
<td>-4.75(0.016)**</td>
<td>-4.75(0.016)**</td>
</tr>
<tr>
<td>Debt to Assets Ratio</td>
<td>0.39(0.726)</td>
<td>0.39(0.726)</td>
<td>0.10(0.927)</td>
<td>0.10(0.927)</td>
</tr>
<tr>
<td><strong>Independent Variables</strong></td>
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<td>1.48(0.082)*</td>
<td>1.48(0.082)*</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>208</td>
<td>208</td>
<td>208</td>
<td>208</td>
</tr>
<tr>
<td>Log likelihood</td>
<td>-161.7711</td>
<td>-161.7711</td>
<td>-160.3174</td>
<td>-160.3174</td>
</tr>
<tr>
<td>$\chi^2$</td>
<td>180.85</td>
<td>180.85</td>
<td>183.76</td>
<td>183.76</td>
</tr>
<tr>
<td>Pseudo $R^2$</td>
<td>0.3585</td>
<td>0.3585</td>
<td>0.3643</td>
<td>0.3643</td>
</tr>
</tbody>
</table>

Note: *P<0.1; **P<0.05; ***P<0.01
Table 4 Effect of M&A Activity Intensity and Strategic Alliance Formation on Social Capital Accumulation

<table>
<thead>
<tr>
<th>Variables</th>
<th>Model 9</th>
<th>Model 10</th>
</tr>
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<tbody>
<tr>
<td><strong>Control Variables</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm Size</td>
<td>-0.04(0.000)**</td>
<td>-0.04(0.191)</td>
</tr>
<tr>
<td><strong>Independent Variables</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>M&amp;A Activity Intensity</td>
<td>0.02(0.357)</td>
<td></td>
</tr>
<tr>
<td>Strategic Alliance Formation</td>
<td>-0.02(0.093)*</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>241</td>
<td>59</td>
</tr>
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<td>Wald $\chi^2$</td>
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<td>5.31</td>
</tr>
<tr>
<td>$R^2$</td>
<td>0.1912</td>
<td>0.1542</td>
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</table>

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

Table 5 Effect of Social Capital Accumulation on Innovations

<table>
<thead>
<tr>
<th>Variables</th>
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<th>Model 12</th>
<th>Model 13</th>
</tr>
</thead>
<tbody>
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<td><strong>Control Variables</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm Size</td>
<td>7.04(0.014)**</td>
<td>7.04(0.014)**</td>
<td>-1.57(0.663)</td>
</tr>
<tr>
<td>Developed Areas</td>
<td>-1269.03(0.129)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Underdeveloped Areas</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Firm Age</td>
<td>22.52(0.028)**</td>
<td>22.52(0.028)**</td>
<td>-0.48(0.000)*****</td>
</tr>
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<td>-360.39(0.587)</td>
<td>-26.10(0.015)****</td>
</tr>
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<td>2.48(0.643)</td>
<td>2.48(0.643)</td>
<td>5.26(0.436)</td>
</tr>
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<td>Debt to Assets Ratio</td>
<td>2.40(0.94)</td>
<td>2.40(0.94)</td>
<td>-91.88(0.043)****</td>
</tr>
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<td>Firm Performance</td>
<td>5.24(0.933)</td>
<td>5.24(0.933)</td>
<td>30.68(0.708)</td>
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<td>Strategic Alliance Formation</td>
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<td>1.54(0.159)</td>
<td>0.82(0.521)</td>
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<td><strong>Independent Variables</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Social Capital</td>
<td></td>
<td>-30.79(0.027)**</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>67</td>
<td>68</td>
<td>38</td>
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<tr>
<td>Wald $\chi^2$</td>
<td>14.4</td>
<td>12.71</td>
<td>47.89</td>
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<tr>
<td>$R^2$</td>
<td>0.0289</td>
<td>0.0289</td>
<td>0.6228</td>
</tr>
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</table>

Note: *P<0.1; **P<0.05; ***P<0.01
DISCUSSION AND CONCLUSION

The purpose of this paper is to explore the mechanism embedded in the relationship between the network status and innovations. I found that companies which enjoy high prestige in the networks use strategic alliances--resources access mechanism--to accumulate their social capital and to increase innovation ability. On the other hand, high-prestige companies unweave their networks via M&A activities--market control mechanism, which may reduce their innovation ability because the social capital held is lost. The relationship between M&As and innovations in this study was also consistent with the earlier research (Hitt et al., 1996). There are three points I want to emphasize in the conclusion.

First of all, the previous research found that the position of a firm in a broader technological context is one factor that positively influences the strategic alliances formation (Stuart, 1998). This paper, however, found the opposite conclusion that technology prestige or network status negatively influences the strategic alliance formation. The difference may be due to various industries studied. This paper focused on the photographic industry while the previous research focused on semiconductor industry.

Second, many scholars studied the drivers of M&As and strategic alliances (Capron et al., 1998; Stuart, 1998; Gulati, 1998; Chung, 2000; Koka and Prescott, 2002; Park et al., 2002; Halebian et al., 2006; Hayward, 2002; Hitt et al., 2004; McEvily and Marcus, 2005; Peng and Luo, 2000; Z. Lin et al., 2009), the drivers of innovations (Hitt et al., 1996; Tsai and Ghoshal, 1998; Nahapiet and Ghoshal, 1998; Obstfeld, 2005; Ahuja, 2000), the relationship between M&As and social capital (Pfeffer, 1972), and the relationship between alliances and social capital (Koka and Prescott, 2002). But few systematically incorporated the above relationships together to consider how network status influences innovations. This paper argues that network status influences innovations through the resources access mechanism and the market control mechanism, which extends the earlier research.

Third, the negative relationship between the network status and innovations has been consistent with the earlier findings about the disconnectedness and innovations (Phillips, 2010), which indicates that disconnectedness may be the source of innovations. Contrary to the common sense, the higher status is not translated into the richer social capital, because the high-prestige firms more likely adopt the market control mechanism to unweave their social networks, lose their social capital accumulated by the efforts of their pursuit of the resource access mechanism, while the disconnectedness, due to its own popularity and resources restriction, cannot impose market control mechanism but is better at resources access mechanism, this situation makes the disconnectedness learn new knowledge and find new opportunities faster, the disconnectedness therefore becomes more innovative. Fourth, the innovation ability could be weakened. Therefore, the high status firms should be cautious about their position in the networks, because the networks give the actors the trade-off between the flexibility and limitations (Gargiulo and Benassi, 2000).

LIMITATIONS AND FUTURE RESEARCH

The limitations of the research offer opportunities for future improvements. First, I only studied one industry, though the sampling is based on international context, as I mentioned
before, caution should still be exercised in generalizing the findings to other industries. Second, though the alliance data sample violates the balance theory, I admit that the fact that I did not use year windows to calculate the social constraints should be a potential issue. Third, though the generalization of the findings should be safely considered, the negative relationship between the network status and strategic alliance indicates that the disconnectedness may be related to the innovation initiation. Future research should further explore the mechanism embedded in the relationship between the two constructs and how disconnectedness works to influence innovations. Fourth, the significant effect of the variable multidivision on social capital and then the relationship between social capital and innovations indicate that firms’ social networks in different areas or various levels may also be an insightful influential factor for innovations, which is worth being explored in the future.

ACKNOWLEDGEMENT

I want to thank Professor Johannes M. Pennings of the Wharton School for giving me the opportunity to participate in his research project as a research assistant; I also thank him for his generous and constructive feedbacks for my initial draft of this paper. The data was drawn from the most original database of the project and I myself did all the analysis. Therefore, the views expressed and any errors occurred in this paper are exclusively those of the author.

REFERENCES


LEGITIMATE INNOVATION: AN EXAMINATION OF THE OUTCOMES OF INNOVATION THROUGH AN INSTITUTIONAL LENS
John De Leon, The University of Texas at Arlington, jdeleon@uta.edu

ABSTRACT

We draw upon the organizational learning and institutional theory literatures to examine the role of firm innovation and legitimacy in organizational survival outcomes. We argue that firms innovate along a continuum from exploitative to explorative innovations that are then evaluated for legitimacy by external social actors, only after external actors have legitimized innovative products can firms experience positive benefits in terms of enhanced organizational longevity. Our approach represents a blend of the technology-push and demand-pull perspectives.

LEGITIMATE INNOVATION THROUGH AN INSTITUTIONAL LENS

The role of innovation in driving firm performance and survival has long been recognized. Previous literature to date has taken two general views in examining the interaction of innovation and consumer markets which can be broadly classified generally as either a (technology) push or (demand) pull approach (Nemet, 2009; Priem, Li, & Carr, 2012). That is, firms innovate and push products into markets, or consumers demand innovation which is then met by firms. We argue that another blended approach must be considered in order to better understand the role of innovation on firm survival. We examine innovation through the lens of institutional theory to argue that firms innovate, a push-type strategy, but it is consumer markets that legitimize innovations and thus offer to the firm social resources that either sustain or allow firms to exist. We argue that this is a distinct perspective from both the market orientation literatures (e.g. Frishammar & Åke Hörte, 2007; Kumar, Jones, Venkatesan, & Leone, 2010; Webb, Ireland, Hitt, Kistruck, & Tihanyi, 2011) and demand-side strategic management literatures (e.g. Priem et al., 2012; Ye, Priem, & Alshwer, 2012), and contributes to the understanding of why some products may sustain a firm, while others offer only temporary advantages.

We first frame our discussion in the context of organizational learning and choose to use exploration and exploitation as descriptive terms for key categories of innovation. We review the institutional theory literature to better frame our discussion, and then briefly highlight distinguishing features of our blended approach from demand-side and market orientation literatures. We then develop and provide propositions concerning the expected outcomes of this blended approach. Lastly, we offer limitations of our framework.

ORGANIZATIONAL LEARNING

Huber (1991) argued that learning occurs when the subset of possible actions an actor might undertake is changed. At the core of the organization is learning; put simply all firm actions require learning at some level (Gupta, Smith, & Shalley, 2006), thus those firms that learn the best have a strategic advantage over those firms that struggle with adding and using new knowledge to the benefit of the firm. The use of the terms exploration and exploitation to describe broad categories of learning was popularized by March (1991). March described
exploitative learning as being a refinement of existing knowledge, products, or procedures. Exploitative learning takes existing knowledge and learns how to better implement, execute, or extend it. In contrast, explorative learning involves search and risk taking in an attempt to identify possible new solutions. Explorative learning is a process of discovery and experimentation that results in traditional concepts innovation and variety.

While exploration and exploitation are typically operationalized within the literature using patent classes, with the citation of previously used patent classes indicating exploitation, and new classes representing exploration, (e.g. Phelps, 2010), others have argued that the terms can be used in any number of ways to include firm decisions to develop or create new products, cultivate or enter new markets, or to become more efficient at current technology over adopting new technology (e.g. Beckman, 2006; Cao, Xi, & Zeng, 2008; He & Wong, 2004). Throughout our discussion we use the terms to describe in particular the product offerings of firms. Exploitative products are those products that represent refinements of existing products, an emphasis on currently accepted dominant designs, and/or that satisfy currently accepted performance measures. Explorative products are those products that offer a significant deviation from existing products or may be products in completely new areas of competition that either challenge or attempt to become the dominant design, and/or whose primary value creation features are outside the currently accepted performance measures (Adner & Levinthal, 2008). We highlight our usage of currently accepted versus new performance dimensions or measures to integrate an Adner & Levinthal (2008) discussion concerning innovation within the context of entrepreneurship. Adner & Levinthal (2008) argue that all the firm’s innovative activities are exploitative in nature to the focal actor, that is they represent the next logical step in a progression of alternatives; what constitutes exploration then becomes the reliance of products or process along new performance dimensions not addressed or relied upon in current designs, as determined by external actors. This becomes relevant to our discussion as Adner & Levinthal (2008) emphasize the role of external actors in defining exploration and also in providing legitimacy to allow the product to continue. Although Adner & Levinthal (2008) specifically frame their discussion in the context of entrepreneurial actions within firms, we argue that the concept of external actors providing legitimacy to products that deviate from current performance dimensions must not be missed.

In a sense, all innovation is incremental in that it is based upon previous knowledge stocks as a necessary precondition to understanding the products. Stated differently, from the view point of the focal actor, the creator, or innovator, it is impossible to blindly stumble upon a product and then pursue it to commercial ends without some understanding or previous knowledge. Assuming a new product could randomly appear or be stumbled upon; the desire to pursue the product to a commercial end requires an understanding of the product characteristics or of consumer desires and how the new product meets those requirements, otherwise the product would not be pursued. Products that depart radically from the knowledge stocks of the focal actor are unlikely to be pursued without first shoring up knowledge about the product. Since this is the case, from the perspective of the focal actor all innovation is building upon previously held or known knowledge (Adner & Levinthal, 2008). We argue that as it relates to new product development, the discussion of exploration and exploitation as continuous or orthogonal detracts from social judgments about products (Cornelissen, Holt, & Zundel, 2011).
INSTITUTIONAL THEORY

Institutional theory is historically concerned with the processes and pressures within an environment that leads firms to adopt similar structures in an attempt to gain legitimacy, with the outcome being isomorphism (DiMaggio & Powell, 1983; Hawley, 1968; Meyer & Rowan, 1977). Most recent work in the area of institutional theory has focused on legitimacy judgments and organizational change. Tost (2011) argues that legitimacy is granted due to evaluation along three different lines: instrumental, relational, and moral. Where instrumental evaluations grant legitimacy based upon the extent to which an entity or product promotes the material interest of the individual, relational evaluations grant legitimacy based upon the extent to which an entity affirms the social identity or self-worth of the individual, moral evaluations grant legitimacy based upon the extent to which an entity is consistent with the evaluators moral or ethical values (Tost, 2011). An important distinction to make at this point is that legitimacy allows firms to exist but does not guarantee that existence into the future (Jepperson, 1991). Legitimacy is a necessary but insufficient condition for institutionalization (Tost, 2011). Once a firm becomes institutionalized then it is able to sufficiently support and guarantee its own existence. We choose to focus on instrumental valuations for legitimacy to better highlight Adner & Levinthal’s (2008) discussion concerning exploration being along new performance dimensions, although we note Tost (2011) argues that all three valuations collectively and simultaneous combine to provide judgments concerning legitimacy.

Market Orientation & Demand Side Strategic Management

Before continuing on to our discussion on innovation and legitimacy it is important to draw some distinctions between two different but similar concepts. The first concept is market orientation within the marketing literature. Market orientation is defined as “the extent to which customer needs are satisfied through continuous needs assessment (Frishammar & Åke Hörte, 2007, p. 34),” this is in contrast to product orientation, where the focus is in the promotion of innovations created by the firm. The emphasis within the market orientation literature is on assessment of customer needs so that products can be developed to meet those needs; this is similar to a demand-pull strategy (c.f. Nemet, 2009). Our arguments differ from this perspective along several points. First, the marketing orientation literature argues that firms must discover the needs of the customer in order to provide products that meet those needs; we argue from a technology-push approach that firms engage in their innovative activities and then attempt to sell those products to customers. Further, the marketing orientation literature is concerned with satisfying customer demands so as to meet firm objectives of product performance (e.g. market share & sales); we argue that product offerings are a key to firms receiving legitimacy and thus survival.

A similar concept to the marketing orientation literature is demand-side management research. Priem et al. (2012) characterize demand-side literature as:

*clearly distinguishing value creation from value capture, emphasizing product markets as key sources of value-creation strategies for firms, viewing consumer preferences as dynamic and sometimes latent, and recognizing that managers’ differing decisions in response to consumer heterogeneity contribute to firm heterogeneity and, ultimately, value creation.* (p. 346)
Again there are several differences between our arguments and those made from a demand-side perspective. First, the demand-side literature is primarily concerned with consumer value-creation and capture, our emphasis is legitimacy and firm survival. Although, as noted above, legitimacy is granted based upon multiple valuation perspectives (Tost, 2011), the institutional theory allows us to distinguish between individual legitimacy and collective legitimacy, and also between the concepts of validity and value capture. In short, although an individual may not believe a product to be legitimate, they may recognize that society as a whole or in the collective believes the product to be socially appropriate and as a result the product is given legitimacy (validity). Further, although the product may be legitimate in the evaluations of the individual or the collective, the product may not satisfy an individual’s needs; in this case the evaluator is willing to offer legitimacy but does not consume the product. An example of this would be property taxes to subsidize education for a household without children. The owner will not consume the product (primary and secondary public education) but still offers financial resources to its maintenance and upkeep. In addition, the demand-side literature is still a demand-pull approach to innovation, while we maintain a technology-push approach to innovation.

THEORY DEVELOPMENT

In combining the innovation literature with an institutional theory perspective we arrive at a two-by-two chart that guides our analysis on the effects on firm survival.

FIGURE 1: POSSIBLE CONFIGURATIONS

We continue our discussion in the context of dichotomized variables for clarity. In reality both legitimacy and product characteristics are more appropriately conceptualized as continuous.

Q I. Illegitimate Exploitative Products

Exploitative products are products that represent improvements or refinements in existing products along previously recognized performance dimensions (Adner & Levinthal, 2008; Cornelissen et al., 2011; March, 1991). Although these product streams have gained legitimacy at the collective level, refinements or improvements may fail to find the same legitimacy. Two examples serve to demonstrate these types of innovations. One example is the travel toothbrush and floss container in one. Toothbrushes and floss are widely recognized legitimate products, as demonstrated by the endorsement of the American Dental Association.
and programs that offer these products separately to school children and to patient’s at most dental offices. However the combination of both legitimate products into one has largely failed to find widespread acceptance. Although the product is available, it is more of a novelty than a staple to most people. Another more recognized example is New Coke, an attempt to exploit what was understood at the time to be a preference for sweeter drinks by younger soda consumers. New Coke represented a re-formulation of the now known Coke Classic. Although the product found strong support in sip-tests, and was a refinement of existing Coca-Cola products, New Coke failed to find collective legitimacy and was ultimately deemed a failure.

**PROPOSITION 1:** Exploitative products that fail to become legitimate are abandoned by firms.

We have argued in the more general sense. We must acquiesce to arguments concerning customer heterogeneity and individual legitimacy (King, Felin, & Whetten, 2010; Priem et al., 2012; van Dijk, Berends, Jelinek, Romme, & Weggeman, 2011). Due to the nature of customer markets it is entirely possible for firms to gather a sufficient amount of financial resources to maintain an incentive to continue with current offerings without obtaining broad legitimacy and validity. In so much as some firms are content to compete in limited spaces, with small markets, firms that offer illegitimate exploitive products will continue.

**Q II. Illegitimate Explorative Products**

Explorative products are products that differ significantly from existing designs or products that choose to compete along new, unused, unconsidered performance dimensions (Adner & Levinthal, 2008). Examples of this type of product abound, one such example is the Motorola ROKR. The ROKR represented a joint collaboration between Motorola and Apple Inc., released in September 2005; the product was an integrated cell phone and music player. The product failed to find broad acceptance. However, unlike exploitative products that fail, explorative products that fail meet a different end. We argue that,

**PROPOSITION 2:** Explorative products that fail to gain legitimacy are retained within the firm.

Explorative products tend to represent significant investments of resources. This includes both financial resources and social or psychological resources. Explorative products that have been released by the firm have already gained acceptance and legitimacy to actors internal to the firm. This buy-in and legitimating process makes abandoning failed explorative products extremely difficult. In addition, due to the nature of learning, it is difficult to unlearn knowledge gained while pursuing products that deviate from existing lines (Huber, 1991). As a result firms that create explorative products that fail to gain legitimacy, tend to hold on, either to the product, or the knowledge of the product. In the instance of the ROKR, Apple, Inc. later released the iPhone in June 2007. The iPhone added additional features that the ROKR did not posses, but built upon the same concept, a cellular phone and media device.

This process can be seen in several other products, for instance the Pioneer LaserDisc released in the late 1970’s and early 80’s, a technology that was significantly different and full-featured than VHS, offering more lines of resolution, multiple audio tracks, and longer
storage life. The product failed but the technology remained and became a foundation for CD’s and DVD’s. WebTV represents another explorative product that failed and was retained. WebTV, launched in September 1996, combine the internet and television together. The basic concept has now been integrated into nearly all new televisions and game consoles. As an additional example, the Apple Newton, a product that is the forerunner of the iPad was a product released “15 years too early” (John Sculley, former CEO of Apple, Inc.).

What becomes evident is the tendency for explorative products that fail to gain legitimacy to be retained and later re-released. Although, we acknowledge that re-releases are characterized by different markets, and more refined products, we argue that the firm retained and continued development because they had already internally legitimized the product.

Q III Explorative Legitimate Products

Having already defined explorative products, we turn our attention to explorative products that become collectively legitimate. According to Tost (2011), products and processes are legitimatized when they meet instrumental, relational, and moral evaluative criteria. Similarly Suchman (1995) defined legitimacy as a generalized perception that actions are desirable, proper, or appropriate within particular social context. In essence, legitimate explorative products are products that deviate along an untested or unapproved performance dimension but sufficiently satisfy evaluative criteria to suggest they provide desirable and appropriate benefits (Adner & Levinthal, 2008). Legitimacy grants access to social resources (Scott, 1991), while in the context of product innovations this is most easily seen as product sales, we argue a more nuanced position. Legitimacy results in a willingness to allow a product to exist and a willingness to endorse a product, but does not necessarily translate into sales. Although an individual might deem a product legitimate, they may not consume it due to budget constraints or other optimizing decisions. It is not our intention to develop a theory of legitimacy judgments, Greenwood (2008), Tost (2011), and van Dijk et al. (2011), offer good insights into legitimacy judgments. For sake of argument, let’s assume an explorative product can be and is deemed legitimate. In this case we argue that:

PROPOSITION 3: Explorative products that become legitimate offer temporary competitive advantages.

Explorative products that are judged legitimate help to bring financial and other social resources to the firm. The influx of resources helps to make a firm more competitive and increases the probability of survival in the short-run. Legitimate exploratory products meet consumer demands along previously unrecognized (un-commercialized) performance dimensions; as a result, firms that succeed in this area enter an arena with little competition and are able to capture first mover benefits. However, since exploratory innovation on the average is more resource intensive, the firm is not able to survive solely on exploratory innovations and does not solidify its existence by becoming institutionalized. Instead, in order to continue to survive, firms must continuously offer legitimate exploratory product offerings if they seek to compete in this quadrant. In order for these exploratory innovative products to offer a sustained long-term competitive advantage, the product characteristics must be adopted by other organizational actors (competitors, suppliers, vendors, etc.) in such a way that the new product becomes the dominant design or standard. If this occurs the firm then has
the ability to move products into the fourth quadrant, exploitative legitimate products; if this does not occur any advantages gained are temporary.

**Q IV. Exploitative Legitimate Products**

The explorative products that are legitimate are products that are deemed socially valid. We argue that:

**PROPOSITION 4**: Exploitative products that gain legitimacy offer (a.) sustain competitive advantages and (b.) are necessary for firms to attempt to become institutionalized.

We argue that exploitative legitimate products offer sustain competitive advantages in that they represent successful products that are continually being improved upon. Collective society has already confirmed their desirability by allowing the products to become legitimate, and have in essence confirmed that the existence of these products provide higher value than if the products did not exist (King et al., 2010; Tost, 2011). We argue that it is this point, that products that are exploitative and legitimate improve overall welfare, that lays the groundwork for a firm becoming institutionalized.

**PROPOSITION 5**: Institutions that have been institutionalized will innovate primarily along exploitative dimensions.

We also expect that firms that have already been institutionalized and have the ability to be self-reinforcing (Jepperson, 1991), will innovate primarily along already legitimizied dimensions. This occurs for two reasons; first, to minimize risk of failure, institutionalized firms choose not to over extend themselves with innovative products. At this point they have become self-reinforcing and have strong assurances of continuing into the future; these firms can only be negatively impacted by explorative innovations that challenge the status quo. Second, actors internal to the organization affirm the importance of existing products and are supported in their beliefs by the external actors granting legitimacy. Internal actors become blind to any opportunities as their need for explorative innovation for survival diminishes.

**CONCLUSIONS & LIMITATIONS**

We have attempted to outline the effects of legitimacy and innovative products on firm survival. We argue that firms can be generally classified along four different quadrants with particular implications for firm survival from each quadrant.
We argue from a technology-push perspective that firms innovate and take products to markets. From there social actors make judgments concerning the legitimacy of products and offer societal resources to affirm firm actions, or deny legitimacy to encourage the firm to pursue other avenues of innovation. We present this as a blended approach in as much as firms are primarily internally driven to innovate but external actors are able to guide the firms innovation practices through legitimacy. While at the level of the individual firm, consumer demands and desires might go unmet, because this is an iterative process with a collection of firms, consumers are able to have their demands met, while firms are pursuing a technology-push strategy.

Our framework suggests that successful firms can pursue one of two routes to survive, they may either produce legitimate exploitative products that they can leverage to become institutionalized, or they may offer legitimate explorative products that bring resources to the firm but do not guarantee long term survival.
Our discussion is not without its limitations and weaknesses. First, accurately measuring legitimacy aside from market or firm measures of financial success presents a challenge. Although Vergne (2011) outlines a procedure to measure raw legitimacy vectors, the methodology has not yet become popular. Second, our discussion has ignored the role of external competitive actions and disruptive innovations. We argue that although we did not explicitly cover them and their emergence, our proposed framework would still offer guidance. A disruptive innovation would most likely shift demand curves and societal expectations; as a result it is likely that firms previously deemed legitimate may lose that evaluation. Third, we hold constant particular product and market characteristics that would undoubtedly enlighten our discussion.

REFERENCES


OUT-OF-CONTROL EXECUTIVES - WHAT TRUMPS SMART?
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Jennifer D. Oyler, Texas A&M University-Commerce
Randal Y. Odom, Texas A&M University-Commerce

ABSTRACT
With many apparent strengths, some of the most successful organizational leaders ultimately fail and often cause significant damage to their organizations, their families, and themselves. This paper questions what motivates executives to make bad decisions and take unethical and/or illegal actions. From studying various executive scandals, questions were developed that relate to greed, power, Narcissistic personalities, values and ethics, status differentiation and social isolation, and sex. In addition, demographics of the executives and types of scandals were analyzed. Since executive scandals impact society as well as individuals and organizations, this paper offers suggestions of ways that these executives could help others avoid unethical and illegal actions. Future considerations include the issue of time theft since executives involved in scandals spend time in unethical and illegal scenarios instead of spending time productively in ethical, legal scenarios for themselves, their families, their organizations, and society.

INTRODUCTION
Academicians, organizational leaders, students and others study successful business people, especially CEO’s and other executives who are often considered to be intellectual giants and/or corporate heroes. These people are often known for their business acumen, their strategic shrewdness, and their transformational leadership. They are frequently pillars in their community, and their espoused values for their organizations mirror their reputations. Yet many of these corporate heroes eventually fail, despite their apparent strengths.

Hogan and Hogan (2001) believe that “failure is more related to having undesirable qualities than lacking desirable ones” (p. 41). So the question becomes, “What trumps smart and thereby unravels executive success?” Is it greed, wrong values, power and hyper-competitiveness, narcissistic tendencies, sex or some complex combination of those and other problems? Do CEO’s experience increasingly higher levels of social isolation and status differentiation that negatively impact reality for them? Research provides potential answers, but the answers may actually be symptoms of even bigger, more complex problems related to their organizations and their followers as well as the executives’ own personal issues.

The consequences for these failed corporate heroes are often dire, including job loss, jail and prison, loss of families, loss of reputation, and death, sometimes suicide. For their companies, consequences are also negative, sometimes equally dire. Sometimes, the companies don’t survive.

DOES GREED TRUMP SMART?
According to Bloomberg Business Week (2002), “Greed, hypercompetitiveness, isolation, and more have pushed too many top execs to cross the line without fear of consequences.” The title of the article, “If only CEO Meant Chief Ethics Officer,” seems to commiserate with
those of us who expect ethical behavior from CEO’s. The Bloomberg Business Week (2002) article goes on to say “experts in the CEO lifestyle suggest that the most obvious (cause) is greed. How else to explain why Kozlowski, Tyco’s ex-CEO, allegedly tried to evade $1 million in sales taxes on $13 million or so in art he purchased after raking in more than $300 million in compensation over the past three years? It’s the same motive that landed Drexel Burnham’s Michael Milken and his accomplice Ivan Boesky in jail in the early 1990s, thanks to junk-bond schemes that investigators say bilked investors out of more than $1 billion” (p.1).

In the Forbes article, Sex, Lies & Insider Trading at IBM, (Bandler 2010) discusses the roles played by executives of various firms as well as Danielle Chiesi, their confidante. While significant amounts of money were allegedly made by executives of Galleon, New Castle, and other companies as a result of insider trading, Bandler (2010), indicated that “Moffat (heir apparent to IBM CEO Palmisano) didn’t make a penny from the information he provided, nor did he trade a share of stock. And of all the buttoned-down executives at Big Blue, Moffat was the last one that old friends could imagine being caught up in a scandal, let alone a crime” (p. 69). Yet, Moffat is now a convicted felon. Fortune (Bandler, 2010) quoted Moffat as saying: “Everyone wants to make this about sex. Danielle (Chiesi) had an extensive network of business people. And she added clarity about what was going on in the business world . . . I know in my heart what this relationship was about: clarity in the business environment” (p. 80). In addition to Robert Moffat, IBM Senior Vice President, Bandler (2010) discusses several other executives (John Joyce, IBM CFO; Mark Kurland, New Castle hedge fund co-founder; Rajrajaratnam, Galleon founder; and Hector Ruiz, AMD CEO) some of whom were at various times Chiesi’s boss, lover, and/or friend. For them all, Chiesi was apparently a very close confidante who helped expedite the exchange of information, and the government has charged insider trading. So what was the primary cause other than greed? Does Moffat’s comment “clarity in the business environment” (Bandler, 2010, p. 80) translate power? Does this need for power relate to executive hyper-competitiveness to the extent that these “Siamese twin” drivers trump smart, or is power a separate issue that drives executive decisions and actions and overwhelms their executive intelligence?

DOES POWER TRUMP SMART?

McMurry (2000) cautions that “his (the top executive’s) only hope for survival . . . is to gain and retain power by tactics that are in a large measure political and means that are, in part at least, Machiavellian. Such strategies are not always noble and high minded. But neither are they naïve. From the selfish standpoint of the beleaguered and harassed executive, they have one primary merit: they enhance his chances of survival” (p. 145). McMurry (2000) offers specific advice regarding executive personal style as follows: (1) Be cautious in taking advice; (2) Avoid close superior-subordinate relationships; (3) Maintain maneuverability; (4) Use passive resistance as needed, i.e., stall; (5) Be ruthless when expedient; (6) Don’t communicate everything, especially bad news; (7) Don’t depend on someone unless it is to that person’s advantage to be loyal; (8) Compromise on small matters; (9) Be an actor who influences audiences emotionally as well as rationally; (10) Radiate self-confidence (i.e., Be in command); (11) Make sure outward evidence exists in terms of status, power, and material success; (12) Avoid bureaucratic rigidity to hold people’s allegiance (i.e., bend the rules and make exceptions); and (13) Be receptive to different opinions (McMurray, 2000). He goes on to say that “nothing is more devastating to an executive than to lose support and backing in
moments of crisis. It is for this reason that the development of continuing power is the most immediate and nagging concern of many professional managers” (McMurray, 2000, pp. 140-141). Even McMurray’s (2000) personal style advice could influence executives to act in negative ways to gain and retain power.

Perhaps power, and the hunger for more power, has the capability to override intelligence and cause some people to make decisions and take actions that would be counterintuitive for most intelligent people. Perhaps there are power mongers who are so consumed by the need to control the destinies of people and organizations that they act on the basis of power needs instead of intellectual reasoning (Pryor, Taneja, Oyler, & Singleton, 2011).

Litzky, Eddleston and Kidder (2006) indicate that “personal aggression involves hostile or aggressive behavior. This form of deviance can harm an organization’s reputation and have serious negative consequences for the targeted individuals. Personal aggression includes various types of intimidation tactics such as sexual harassment, verbal abuse, and threats of physical harm” (p. 93). Padilla, Hogan, and Kaiser (2007) emphasize that “destructive leaders are characterized by charisma, personalized needs for power, narcissism, negative life history, and an ideology of hate” (p. 182).

**DOES NARCISSISTIC PERSONALITY TRUMP SMART?**

Rosenthal & Pittinsky (2006) noted that “. . . power is one of the great motivators for narcissistic leaders” (626). Humphreys, Zhao, Ingram, Gladstone and Basham (2010) stated, “We agree that reactive narcissists crave power, consistently attempt to secure more of it, and oftentimes, at great peril to themselves and their followers” (p. 127). Citing Lipman-Blumen (2005) and Whicker (1996), Sims (2009) notes that “research has suggested that some unethical corporate behavior may be tied to toxic leaders” (p.560). Sims (2009) goes on to say that “Classifications like narcissism, Machiavellianism, and psychopathy have been used to describe toxic leaders who may not have the firm’s best interest at heart (see Allio, 2007; Gable and Dangello, 1994; Paulhus and Williams, 2002; Pech and Slade, 2007)” (p. 560). With personalized charisma, leaders are likely to also experience reactive narcissism with follower exploitation and dependency (Humphreys, et al, 2010). So the question becomes, “Are narcissistic and/or charismatic leaders more likely to engage in over-the-top, destructive behaviors that override intelligence as they make decisions and take actions?”

According to the American Psychiatric Association (2000), Narcissism is “a pervasive pattern of grandiosity (in fantasy or behavior), need for admiration, and lack of empathy . . . present in various contexts” (http://www.psychiatryonline.com). Narcissism is closely related to charisma and the personalized use of power, and it involves dominance, grandiosity, arrogance, entitlement, and the selfish pursuit of pleasure. Padilla, Hogan, and Kaiser (2007) mention authors who correlate narcissism with destructive leadership (Conger, 1990; House & Howell, 1992; Maccoby, 2000; O’Connor, Mumford, Clifton, Gessner, & Connelly,1995; Rosenthal & Pittinsky, 2006; Sankowsky, 1995). We would add Bella, Bennett, & Aquino (2011) whose article “proposes a model that seeks to explain why high status organizational members engage in unethical behavior” (p. 407). They note that “some people have a compromised level of morality and will be more likely to engage in unethical behavior” (410). Bella, et al (2011, p. 410) indicated that “some employees possess the dark triad of personality (Machiavellianism, narcissism, and psychopathy (Jakobwitz & Egan, 2006) and
exhibit personality disorders (e.g., narcissistic and antisocial personality disorders) that make
them more prone to exhibit antisocial behaviors (Allio, 2007; Goldman, 2006).” We would
add Sims (2009) who studied “Deviance as a Retaliatory Response to Organizational Power”
(p. 553).

DO WRONG VALUES (ESPoused VS. REAL VALUES)
AND THE LACK OF ETHICS TRUMP SMART?

Organizational websites list values and operating guidelines which should represent
the executives’ commitments to what they care about passionately and how they will act
based upon their shared values. Yet many times, the decisions and actions of the executives
do not remotely resemble their espoused values and operating guidelines. So the question
becomes: “Do espoused versus real values trump smart?” Pryor, White and Toombs (1998,
2007) indicated that “the theory of cognitive dissonance (Festinger, 1957) leads us to believe
that if people act (i.e., behave, make decisions) contrary to their attitudes and values, such
behavior can eventually change their beliefs and values” (p. 5.16). Is it possible that CEOs at
one time actually passionately believed in the values they espoused and the commensurate
operating guidelines, but as they acted counter to those beliefs, their values and operating
guidelines changed to align with their actions?

DO STATUS DIFFERENTIATION AND SOCIAL ISOLATION IMPACT SMART?

Bella, Bennett, and Aquino (2011) argue that “status differentiation in organizations
creates social isolation which initiates activation of high status group identity and a
deactivation of moral identity” (p. 407). They go on to say that “As a result of this identity
activation . . . high status individuals will be more vulnerable to engaging in unethical
activities” (Bella, et al, 2011, p. 407). Differentials in such items as status, money, levels of
team membership and power apparently lead to CEO social isolations and create a CEO
existence vacuum with limited opportunities for impact of self by normal influences or forces.
As a result, CEO decisions and actions sometimes reflect the same type of insular maladies
and macabre or deviant results similar to those from genetic inbreeding. Is it reasonable then
to think that status differentiation and social isolation, along with possible deviant results can
trigger unethical and illegal behavior from otherwise intelligent people, especially CEOs who
are perhaps most at risk?

DOES SEX TRUMP SMART?

Scandals of sexual trysts with call girls, staff members, and others have made
headlines as executives of governmental units and private organizations spend their time in
rendezvous that have no potential of positively impacting their personal or professional lives
or their respective organizations. Berr (2010) chided CEO’s about their sexual trysts. He
noted that “when it comes to the temptation of having an adulterous affair, even some of the
toughest-minded bosses just can’t hold up a stop sign” (p.1). Berr (2010) goes on to say that
“A married CEO engaged in a sexual affair, or even one that merely appears to be sexual,
jeopardizes not just his or her marriage and job (especially if the lover was a subordinate or a
supplier), but can also put the whole company at risk. Still, many corporate chiefs are willing
to take the chance” (p. 1). To make his point, Berr (2010) lists nine executives who crossed what he calls the invisible line in terms of sexual misconduct. Chart I was developed from the information provided by Berr (2010).

These sexual encounters are not always just physical. Social networking has opened up new options for fantasy sexual encounters through Facebook, Twitter, and other social networking sites. So, supposedly intelligent people, including business executives, apparently spend large amounts of time in fantasy relationships. Is this about sex, poor judgment, or some other more sinister causes? Should these executives call their psychiatrists, read self help books, or just “get a life”? Perhaps they should focus on their jobs as executives of organizations and the numerous employees whose lives they can impact positively or negatively.

AN ANALYSIS OF EXECUTIVE DEMOGRAPHICS

An analysis of the demographics of the executives in our study who were involved in scandals revealed the following:

- They were highly educated. All had undergraduate degrees. Some had master’s degrees and doctorates. Some had been given honorary doctorates by various colleges and universities.
- Degrees were varied – Accounting, Applied Science, Business Administration, Economics, Electrical Engineering, History, Law, Management Engineering, Physical Education, Physics, Political Science, and Veterinary Medicine.
- They were seasoned executives. They had many years of increasingly higher levels of executive experience.
- They got their “upward mobility beginnings” through mentors and/or family members.
- Some of their mentors also had ethics and legality issues.
- Most were older – from 60 to 85 years of age.
- Most were married at the time, sometimes second marriage.
- Most were male.
- Most were involved in scandals where there were allegations of illegalities as well as sexual misconduct.

An analysis of the types of scandals revealed the following statistics (Total is more than 100% because some scenarios included a sexual scandal along with another type of scandal.):

- 30% were convicted of insider trading.
- 52% were sexual scandals involving affairs, mistresses, and/or sexual harassment.
- 10% were convicted of fraud.
- 10% were convicted of perjury.
- 4% were convicted of tax evasion.
- 4% were convicted of theft.
- 2% were charged with child molestation.
- 2% were convicted of operating a Ponzi scheme.
The question becomes: “What can organizational leaders and academicians learn from these and other demographics that can help prevent future unethical and/or illegal CEO decisions and behavior?”

CONCLUSION

The issue of over-the-top, out-of-control executives is seriously impacting society as well as individuals and organizations. Studying unethical and illegal behavior of CEOs is a bit like only looking in the rear view mirror while driving. You will know where you have been which could be very helpful. However, understanding the present, and perhaps creating a better future, is the challenge and desired result and requires looking ahead as well. At minimum, academicians, organizational leaders, psychiatrists, and others should come together in their attempts to understand, predict, and perhaps prevent some of the executive behavior that has been, and continues to be, devastating for the executives, their families, their organizations and others caught in the midst of their behavioral travesties.

With today’s technological capabilities, social networking websites, online forums, and other virtual realities, CEOs who have been involved in unethical and/or illegal scenarios could be of assistance. However, to ensure positive impact, they would first need to address for themselves the questions proposed in this article. Then they could help others avoid unethical and illegal actions. In the meantime, academicians, organizational leaders, university students and others will continue to study successful business people, especially CEO’s and aspiring CEO’s, the intellectual giants and corporate heroes, some of whom will fail because of unethical and/or illegal behavior.

FUTURE CONSIDERATIONS

When executives are involved in unethical and illegal decisions and actions, the results will typically be negative for them and their organizations. As mentioned previously, sometimes the consequences are dire. However, one thing that has not been appropriately addressed (and which we are addressing in a future article) is that the executives are engaged in time theft in addition to the other unethical and illegal decisions and actions. In other words, the time spent in the unethical and illegal scenarios could have been spent productively in ethical, legal scenarios for themselves and their organizations. Executives should reflect on the concept of time theft as well as the potential negative consequences each time they are tempted to make the wrong choices. The time theft as well as the potential negative consequences exist for the executives, their families, and their organizations.
REFERENCES


## Chart I: Executives and Sexual Scandals

<table>
<thead>
<tr>
<th>CEO</th>
<th>Organization</th>
<th>Sexual Encounters</th>
<th>Scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Electric</td>
<td></td>
<td></td>
<td>Alleged routine in the work environment at American Apparel where Charney was known for his “bad boy” image.</td>
</tr>
<tr>
<td>Dov Charney, CEO</td>
<td>American Apparel</td>
<td>Numerous affairs with his subordinates. Sexual harassment lawsuit was listed in HR World as one of the top 20 sexual harassment claims of all time. Bill Clinton-Monica Lewinsky case was No. 1.</td>
<td></td>
</tr>
<tr>
<td>American Apparel</td>
<td></td>
<td></td>
<td>Hurd gets $50 million HP severance. Cost to HP shareholders $10 billion (sex scandal).</td>
</tr>
<tr>
<td>Hewlett-Packard</td>
<td></td>
<td></td>
<td>Hurd gets $50 million HP severance. Cost to HP shareholders $10 billion (sex scandal).</td>
</tr>
<tr>
<td>John Dodds, CEO</td>
<td>Survived affair.</td>
<td>2007 Affair with Deena Mattar, Kier Group Finance Director.</td>
<td></td>
</tr>
<tr>
<td>Mark McInnes, CEO</td>
<td>2010 - After 13 years, McInnes resigned from David Jones Ltd. Phillips remained at Oracle.</td>
<td>Employee sexual harassment complaint, Kristy Fraser-Kirk. $37 million lawsuit. Fraser-Kirk settled for $850,000. 8 ½ year relationship with YaVaughnie Wilkins since 2001. Wilkins showed pictures of Phillips &amp; her on billboards &amp; online after “breakup”.</td>
<td>McInnes received $1.95 of $6.1 million potential payout. Decided to “patch things up” with wife, Karen, which angered Wilkins.</td>
</tr>
<tr>
<td>7 years, David Jones, Ltd., Australia</td>
<td></td>
<td></td>
<td>Hurd gets $50 million HP severance. Cost to HP shareholders $10 billion (sex scandal).</td>
</tr>
<tr>
<td>Charles E. Phillips, Co-President, Oracle</td>
<td></td>
<td></td>
<td>Hurd gets $50 million HP severance. Cost to HP shareholders $10 billion (sex scandal).</td>
</tr>
<tr>
<td>Steven J. Heyer, CEO, Starwood Hotels and Resorts</td>
<td>2007 Allegations: Inappropriate &amp; suggestive e-mails &amp; text messages to</td>
<td></td>
<td>Became chairman and CEO of Harry &amp; David Holdings, lead</td>
</tr>
</tbody>
</table>
Worldwide million severance. female employee. director of Lazard
Inappropriate physical Ltd., and board
encounter with a woman member of Omnicare.
outside a restaurant restroom.

Source: Chart developed from information in Berr, J. (2010, November 24). CEO sex
scandals: A rogues' gallery, Daily Finance. Retrieved August 26, 2012 from
SATISFACTION AS A MEDIATOR IN THE RELATION BETWEEN GOAL ORIENTATION AND CAREER WITHDRAWAL INTENTIONS
Randi L. Sims, Nova Southeastern University, sims@nova.edu

ABSTRACT
With many industries facing recessionary pressures, employee ability to respond positively to change may aid the organization in its capacity to endure difficult times. This study adds to the literature on career attitudes and withdrawal by considering goal orientation as an individual employee characteristics central in predicting and understanding career attitudes and withdrawal intentions and behaviors. A self-administered survey was utilized to collect attitude data from a sample of 241 respondents working as real estate professionals. The results indicate that satisfaction fully mediates the relation between learning orientation and withdrawal intentions and behaviors. Suggestions are offered for future research.

INTRODUCTION
Holland’s (1996) career typology postulates that individuals with a poor fit between their personal characteristics and their vocation are less likely to be satisfied with their careers, have increased thoughts of changing vocations, and experience an unstable career path with shifts between differing vocations. One such personal characteristic is that of goal orientation. The goal orientation adopted by an individual establishes their mental framework which is used in decision making (Silver, Dwyer, & Alford, 2006). “Goal orientation is a promising motivational construct that may explain why some individuals adapt to change better” (DeShon & Gillespie, 2005, p. 1096). With many industries facing recessionary pressures, employee ability to respond positively to change may aid the organization in its capacity to endure difficult times. One such industry is that of the residential real estate market. The US housing market, during the boom years of 2002-2006, attracted increased numbers of individuals to the real estate profession. The years following the housing market bust saw a decrease in the number of Florida Realtors. The trend in employment matches the trend in home sales and home prices. I suggest that as the job of a realtor became more challenging, the match between individual and job changed. In easy times, individuals less able to cope with the challenge could nevertheless achieve success as a Realtor. During difficult years, those same individuals may lack the skills or personal characteristics needed to continue to be successful. It is my proposal that the difference between those individuals who elect to leave the profession versus those who remain may be a function of goal orientation. As such, this study adds to the literature on career attitudes and withdrawal by considering goal orientation as an individual employee characteristics central in predicting and understanding career attitudes and withdrawal behaviors.

THEORETICAL MODEL
A theoretical model of job withdrawal has been proposed by Hulin and expanded by his colleagues and former students over the years (Glomb, Hom, Judge, Lee, Locke, Miller, Mitchell, Probst, among many others; see Brett & Drasgow, 2002 for a complete review). In part, this model proposes that worker characteristics are antecedents of withdrawal behavior and this relation is mediated by employee job attitudes. Holland’s model also suggests that the relation between personal characteristics and career withdrawal thoughts and behaviors are
mediated by satisfaction. Each construct is discussed below as are the proposed relations between the constructs.

**Withdrawal**

Withdrawal encompasses the behaviors which distance employees from unfavorable work situations (Hulin, 1990). Withdrawal is a widely studied construct and research has tied withdrawal, turnover, and intention to turnover with dozens of work and employee related variables (see Cotton & Tulle, 1986). Early views of employee withdrawal focused almost entirely on turnover and the more readily measured, intention to turnover (see Steel & Ovalle, 1984). Yet the turnover process may begin much earlier for employees. Mobley (1977) suggested a more heuristic model of turnover that includes the thought processes, review of alternative job markets, and analysis of the costs associated with leaving a job prior to forming an intention to quit. In testing a similar proposition, Cheung (2004) found that many nurses reported thinking about leaving their professions for months or years and often began to prepare themselves for different careers through alternative education and schedule changes before formally resigning.

**Satisfaction**

Satisfaction is broadly defined as the positive or negative feelings people have towards their jobs (Ghazzawi, 2008). It is one of the primary job attitudes studied in respect to turnover, withdrawal intention, and withdrawal behavior (see Locke, 1976). Findings have consistently found a negative relation between satisfaction and a wide group of withdrawal behaviors (Ghazzawi, 2008; Hulin, 1990). Donohue (2007) found that satisfaction was the strongest predictor of career persistence. Likewise, Harrison, Newman, and Roth (2006) found support for the proposal that overall job attitudes were significant predictors of a general theme of job and work withdrawal thoughts and behaviors. Findings generally support the notion that dissatisfied employees and employees with negative feelings towards their positions are more likely to engage in thoughts and behaviors that fit within a general class of withdrawal behaviors and intentions.

**Goal Orientation**

Fortunat0 and Goldblatt (2006) suggest that goal orientation may be a good predictor of job attitudes. In addition, research also suggests that goal orientation can be modified through training and feedback (VandeWalle, Brown, Cron, & Slocum, 1999). If goal orientation is found to be a significant antecedent to withdrawal behaviors and intentions, employers could provide training to help employees shift their goal orientations in an effort to reduce withdrawal intentions. This is especially helpful for job classifications at risk of worker shortages.

VandeWalle (1997) describes three components of goal orientation, learning, avoid, and prove. Avoid orientation and prove orientation are two aspects of a more general performance orientation (i.e. performance-avoidance and performance-approach).

Learning orientation is demonstrated by a desire to develop competency by acquiring new skills and learning from experience. When faced with difficult tasks or negative outcomes,
employees with a strong learning orientation adjust their strategies to ensure continued success (Bell & Kozlowski, 2002). They are eager for challenges and to take on exceedingly more difficult tasks (VandeWalle, 1997). Research suggests that high learning oriented individuals express greater motivation with difficult tasks (Horvath, Herleman, & McKie, 2006) and believe that continued effort and hard work will lead to continued success (Lin & Chang, 2005). This persistence in the face of challenge has been tied to increased performance for college students (Button, Mathieu, & Zajac, 1996). Research also suggests that employees with a strong learning orientation are more likely to be satisfied with jobs that offer a challenge (Janssen & VanYperen, 2004). Janssen and VanYperen (2004) found a positive relation between employee learning orientation and increases in satisfaction. Yet Harris, Mowen, and Brown (2005) did not find a significant path between learning orientation and a single-item measure of satisfaction. It may be that a single item measure of satisfaction was not sufficiently sensitive to differing levels of employee satisfaction or that the jobs under study were not considered challenging by the respondents. With these mixed results in the literature, continued study of the relation between learning orientation and satisfaction is proposed. The literature suggests that for a challenging job, there may be a positive relation between learning orientation and satisfaction. Given the challenges facing the real estate professional in the years following the 2006 market crash discussed in the introduction, a positive relation between learning orientation and satisfaction is proposed.

Wang and Takeuchi (2007) found a negative relation between expatriate learning goal orientation and intentions to return from their overseas assignment prematurely. Thus, a strong learning orientation was related to increased intentions to remain in their assignments. This finding differs from the findings of Dysvik and Kuvaas (2010) and Lin and Chang (2005). In both of these studies, the findings indicated that a strong learning orientation was related to increased turnover or intentions to turnover. The differences in the level of challenge offered in the job may explain the differences in the findings. In Wang and Takeuchi’s sample, an expatriate assignment could be considered quite challenging since employees are faced with many new experiences. However in the Lin and Chang and Dysvik and Kuvaas studies, the respondents held primarily non-management level positions which may offer fewer challenges. Employees “may want to quit if the organization fails to provide them with an opportunity to be promoted or are unable to constantly challenge them with new inspiring tasks for them to learn” (Lin & Chang, 2005, p. 344). With these mixed results in the literature, continued study of the relation between learning orientation and withdrawal intentions is proposed. The literature suggests that for a challenging job, there may be a negative relation between learning orientation and turnover.

Performance orientation is often measured one of two ways; performance-avoidance and performance-approach. Performance-avoidance, referred to as avoid orientation, is a desire to avoid disapproval which may be forthcoming because of a show of low ability (VandeWalle, 1997). Those individuals scoring high on the avoid goal orientation dimension are likely to avoid tasks that have the potential to demonstrate poor performance. Instead of trying with a risk of failing, high avoid goal orientation individuals would rather not try at all (Bell & Kozlowski, 2002). This differs from a performance-approach orientation (referred to as prove orientation) which is demonstrated by a desire to appear capable and have others consider them competent. Employees with a strong prove orientation consider feedback a form of evaluation and are more likely to select tasks in which they appear to succeed in order to gain favorable feedback from others (VandeWalle, 1997). Unlike those employed in a typical
organizational hierarchy, respondents under study are more likely to be independent contractors or self-employed. With few or no formal methods of supervisor feedback, the prove dimension may be a less effective predictor of attitudes and intentions for this respondent group. Thus the testing is limited to avoid orientation.

Theoretically, the relation between performance orientation and satisfaction should differ depending upon the difficulty of the job tasks. Theory suggests that performance oriented individuals would be more satisfied with jobs that offer fewer challenges and less satisfied with jobs with greater challenges. Research utilizing primarily male Korean managers conducted by Joo and Park (2009) support this linkage. Their findings indicate that employees with a strong performance orientation were more satisfied with jobs that required little additional effort. During a difficult real estate market, real estate professionals are unlikely to find that their jobs require little additional effort. Thus, a negative relation between avoid orientation and satisfaction is expected.

Employees with a strong performance goal orientation are more likely to quit a job that repeatedly challenges their abilities as they fear they will be unable to appear successful (Lin & Chang, 2005). In support of this theoretical argument are Wang and Takeuchi (2007) who found a positive relation between expatriate avoid goal orientation and increased intentions to return from their overseas assignment prematurely. However, this finding was contradicted by Lin and Chang (2005) in their study of employees who may hold less challenging positions. Their findings indicate that employees with longer tenure also had stronger performance goal orientations. With these mixed results in the literature, continued study of the relation between avoid orientation and withdrawal intentions is proposed. McFarland and Kidwell (2006) theorize that high avoid orientation sales personnel are incapable of setting appropriate selling strategies or setting high sales goals for themselves and thus are unlikely to perform well in a sales job. Given that theory suggests that individuals with a high avoid goal orientation are likely to perform poorly in a challenging position, a positive relation between avoid orientation and withdrawal intentions and behaviors is proposed.

**ABBREVIATED METHODOLOGY**

**Sample**

Respondents were licensed real estate agents or associate brokers/brokers currently employed within the state of Florida, USA. Surveys were returned by 241 respondents, 59% female, with an average age of 49 years (s.d. = 12) and that they had held their license for 10 years (s.d. 7.62). Most considered real estate a full-time position (79%).

**Measures**

Goal orientation was measured by the three dimension goal orientation scale developed by VandeWalle (1997). Prove performance goal orientation consists of 4 items, learning goal orientation consists of 5 items, and avoid performance goal orientation consists of 4 items. Items were randomly placed on the survey. All items were measured on a five point scale from 1 'strongly disagree' to 5 'strongly agree'. Higher scores are an indication of greater reported preferences for a particular goal orientation.
Satisfaction was measured as a four item scale. Three items were measured from 1 'very dissatisfied' to 5 'very satisfied' and the fourth from 1 'strongly disagree' to 5 'strongly agree'. Higher scores are an indication of greater satisfaction with the job characteristics of a career in real estate.

Respondents were asked five questions to measure their behavioral and psychological distance from their careers in real estate. All items were measured on a five point scale from 1 'strongly disagree' to 5 'strongly agree', some items were reverse scored. Higher scores are an indication of greater career withdrawal.

ABBREVIATED RESULTS AND DISCUSSION

The results of the correlation analysis indicate a significant positive relation between learning orientation and satisfaction (r = .28, p < .01), a significant negative relation between learning orientation and withdrawal intentions (r = -.18, p < .01), and a significant positive relation between avoid orientation and withdrawal intentions (r = .21, p < .01). The results of the correlation analysis do not indicate a significant negative relation between learning orientation and satisfaction (r = -.05, p > .05). Employees who report a higher learning orientation are more likely to indicate increased levels of satisfaction and decreased intentions to withdraw from a career in real estate. Employees with higher reported levels of avoid orientation are more likely to indicate increased intentions to withdraw from a career in real estate, but are not more likely to indicate decreased levels of satisfaction.

This study included learning and avoid goal orientation as measures of individual characteristic antecedents to withdrawal intentions and behaviors. The results suggest that learning orientation is an important individual characteristic in the understanding of employee satisfaction and withdrawal intentions and behaviors. Given a challenging environment, real estate associates with an increased learning orientation were more satisfied and less likely to report withdrawal intentions and behaviors. Likewise, lower levels of learning orientation were related to decreased satisfaction and increased reported levels of withdrawal intentions and behaviors in the challenging environment of the downturn in the residential real estate market.

The results indicate that avoid orientation was not significantly related to satisfaction. However, increases in avoid orientation were related to increased withdrawal intentions and behaviors. Thus, given a challenging environment, employees with higher levels of avoid orientation were more likely to indicate increased levels of withdrawal intentions and behaviors. The mixed results for avoid goal orientation may be a function of the job classification. Most Florida Realtors work as independent contractors. In job classifications like this, lower performance may not be widely publicized and may be excused (by others) by part-time work schedules. Thus, individuals employed in fields without an open system of reporting performance may have less to avoid as a lower performer making the avoid orientation of less importance in reported levels of satisfaction.

The study findings offer support for the importance of the level of job challenge as a factor in the relation between goal orientation and employee attitudes and intentions and may explain why this study’s findings differ from those of Lin and Chang (2005) and Harris et al. (2005). Lin and Chang’s (2005), concluded that employees with higher levels of learning goal
orientation were more likely to leave their jobs. It could be that their respondents did not feel that their jobs were challenging. In addition, although Harris et al. (2005) did sample real estate associates, the date of the study is prior to the market crash and it is possible that the job of a real estate associate is significantly different pre and post crash. It is also possible that individuals attracted to the field during the bubble are significantly different from those individuals who remain. This is an interesting area for future research.

Past research has overwhelmingly supported the importance of satisfaction as a mediator between individual employee characteristics and job withdrawal intentions and behaviors. That this finding holds for the relation between learning orientation and career withdrawal intentions and behaviors is important, as the ability of management theory and research to generalize to a wide variety of circumstances is of upmost importance. Theory and research that has only a limited scope is of less value in our understanding of employee attitude and work behaviors. The findings also lend support for Fortunato and Goldblatt’s (2006) suggestion that goal orientation may be a better predictor of job-related behaviors than core personality traits or the Big Five.

Since research supports the belief that goal orientation can be shifted through training and feedback (see Janssen & VanYperen, 2004; VandeWalle et al., 1999), employers are provided with a possible means for modifying withdrawal intentions and behavior. This may be especially helpful in careers with worker shortages. Instead of passively suffering heavy turnover during challenging times, organizations might respond with employee training programs which emphasize adopting a learning orientation to successfully persist through the challenge. The success of training programs such is an important area for future research.

REFERENCES


SIMULATION FOR STRATEGY COURSES: MEASURING TEAMWORK
Larry Chasteen, PhD, University of Texas at Dallas

ABSTRACT

Simulations are an important part of capstone strategy courses - they facilitate transfer of training by providing “learning-by-doing” opportunities to the students. They also allow instructors to provide authentic activities situated amidst relevant context, enable learners to grasp not just ‘how’ an activity must be done, but the ‘why,’ the ‘what,’ and the ‘with whom.’ Simulations have become an accepted part of strategy classes both at the undergraduate and graduate levels. One area that has not been fully explored is the impact of teamwork on simulation results. Professors using simulations believe anecdotally what the literature on teamwork has suggested for decades: the quality of team processes is directly correlated to the quality of team results. However, detailed measurements are lacking. This paper uses a graduate strategy course as an exploratory study to see if there was a relationship between teamwork and team results.

INTRODUCTION

Simulations are an important part of capstone strategy course. Edgar Dale (1969) illustrated this with his research when he developed the "Cone of Learning". This concept states that after two weeks we remember only 10% of what we read, but we remember 90% of what we do! Simulation-based training puts learning objectives into the context of a scenario which allow the learner to experience training as it relates to a life-like situation.

The best simulations are team based with each member having a specified role in the simulation – good simulations are too complex for just one person to play by himself. However, what is the relationship between teamwork and simulation results. Professors using simulations believe anecdotally what the literature on teamwork has suggested for decades - the quality of team processes is directly correlated to the quality of team results.

However, detailed measurements were lacking. It was difficult to turn anecdotes into evidence without administering complex research instruments – until now. Capsim, a leader in business simulations, has developed a new tool that will simplify the process of quantifying team dynamics and individual accountability within the team. Also, the results can be cross-referenced with overall team performance.

Capsim Simulation

One of the leading business simulations is offered by Capsim, Inc. The Capsim business simulation engages participants in a dynamic competition to turn struggling companies into successful, profitable businesses. Classes are divided into teams that compete against each other by making strategy, finance, production, and marketing decisions that interact to grow their business. Instructors focus on using the simulation experience to reach defined learning goals.

With each round of decisions (each representing a full year for the company), participants build their business acumen and decision-making ability as they interpret data, shape strategies, and discuss the results. A wide variety of Capsim results, data, and services support the creation of a dynamic, highly interactive learning experience.

Delivered online, in the classroom, or a combination of both, and delivered in condensed or expanded time frames, Capsim simulations have the flexibility to adapt to many
academic or corporate curriculum. Capsim simulations have been used extensively at more than 500 business schools and leading corporations in the US and around the world (Chasteen and Damonte, 2007).

**Business Education**

A capstone strategy class is usually one of the final courses taken for both undergraduate and graduate business programs. This course integrates all the material from previous classes such as marketing, accounting, and finance. Students draw on their awareness of various environmental influences (social and political) to solve business problems. Management alternatives are examined with an ethical perspective relating policy trends to the strategic planning mode (Chasteen, 2012).

The purpose of a capstone course is to integrate the learning achieved in individual business courses taken to earn a business degree. The knowledge acquired in finance, accounting, operations, MIS, marketing, and organizational behavior classes is utilized to study the strategic management of the firm as well as the responsibilities of the general manager. This is often accomplished with the extensive use of case studies. This model has proven effective and has been copied by business schools worldwide.

Another approach to integrate the learning achieved in individual business courses taken to earn a business degree is the use of simulations. Students participate in a simulation that requires taking into account multiple decision-making factors while balancing all sectors of the firm’s environment. According to Dale (1969), an active learning method can provide even better results. Therefore, simulations have become a standard part of many US undergraduate and graduate capstone strategy courses. They are also becoming common in strategy courses in many other countries.

**The Need for Teamwork Skills**

The use and need for teams is well documented in contemporary firms for a variety of purposes and across a variety of industries. Today’s technology is just too complex for employees to work entirely on their own. Good business simulations have followed this general approach. Simulations require students to apply functional business knowledge while performing in a team-based context, i.e., making decisions about business strategy and operations as members of a top management team (Anderson and Coffey, 2004).

Like all performance in team settings, success in simulations requires accomplishing operational and technical tasks while engaging in coordination, cooperation, and adaptive actions in order to make effective decisions. Both “task work” and “team work” are necessary. Task work can be defined as operational decisions required to run a company. Team work can be defined as interpersonal interactions required to reach decisions.

One important issue is how to accurately measure task work and team work. Simulations simplify measuring “task work” – one year of operation can be simulated by processing one set of decisions. The results show how successful the company was with respect to sales, profits, stock price, etc. (Capsim Users Guide, 2012).

Accurately measuring “team work” has traditionally been harder – how does the faculty really know the contribution of each team member. One tool that has been used is peer evaluations, but traditional peer evaluations have had problems as discussed later in this paper. The main issue is that students usually don’t like to give bad ratings to their team members even when those members are not doing their fair share (Holtham, 2006).
Peer Evaluations

Peer evaluations are a vital tool for measuring performance in team based activities. Capsim has used peer evaluations in its business simulations for more than a decade. Capsim’s new peer evaluation, launched in 2012, is a more sophisticated and refined instrument. Capsim created the new peer evaluation after a thorough analysis of thirty years of literature on team dynamics (Capsim, 2012).

Peer evaluations are a crucial measurement tool in team based activities where the goal is:

- To promote individual level accountability,
- To assess individual engagement with and contribution to the team
- To measure individual performance in the team.

Capsim's new peer evaluation allows:

- Improved ability to evaluate individual contribution to a team
- Closer oversight and measurement of team processes
- Questions and a roadmap for team development

Purpose and Research Questions

The purpose of this study was to examine if student success in the simulation was related to the quality of the team work. This study used a graduate strategy course at a US university as an exploratory study. The topics covered in the course were traditional class lectures, exams, case discussions, and a business simulation. The simulation exercise was implemented with a web based simulation game. The simulation lasted five rounds (five years) and was scored by using the Balanced Scorecard (BSC).

The following research question was addressed:

- Is there a relationship between the scoring by a team with the quality of team work for that team?

Procedures

The simulation exercise used the Capsim Foundation Simulation. Capsim is the best-selling business simulation in the world. This simulation is used at over 500 universities and colleges in the US. The class was divided into teams to compete in a computer simulation by managing an imaginary firm that manufactured electronic sensors. The teams had to make research and development, production, marketing, and financial decisions concerning the product. The teams entered their decisions into the simulation and then analyzed the results once all the other team decisions were entered and processed. The simulation lasted for five rounds representing five years. Twelve students were divided into four teams for this exploratory study.

Task Work Data

The Balanced Scorecard scoring from the simulation was used to compare student success in the classes. The Balanced Scorecard allows companies to gauge their performance by assessing measures in four categories:

- Financial - includes profitability, leverage and stock price;
- Internal Business Process - ranks, among other measures, contribution margin, plant utilization and days of working capital;
- Customer - examines the company's product line, including how well it satisfies buying criteria and awareness / accessibility levels;
- Learning and Growth - evaluates employee productivity.
The Balanced Scorecard allocates points in each of these four areas for each of the rounds and a final recap score. The team with the highest BSC is considered to be the winner of the simulation rather than just the team with the highest stock price or highest profits. Since the Balanced Scorecard allocates points in four major sections, it is considered a more representative measure of success.

**Team Work Data**

The new peer evaluation appears as an online questionnaire with a simple slider scale of 1 to 5. Each student completes the peer evaluation after the simulation is completed. The process is quick and easy to complete. Each student provides a self ranking and a peer ranking for each member of their team. The measurement criterion for the new Capsim peer evaluation has three conceptual categories:

- **Self management/Accountability** – Includes meeting attendance, preparation for meetings, and timely communication
- **Quality of Work & Contextual Performance** – Includes quality of contributions, consideration of other members, and dependability
- **Quantity of Work** – covers willingness to do a “fair share” of necessary work.

Details are shown in table 1.

**Preliminary Findings**

The research question was addressed based on the data gathered from one class with four teams. Since this is a new peer evaluation, only one class has been evaluated thus far in this exploratory study. Additional data will be collected from more classes during future semesters to extend this study:

1. The BSC ranking of the four teams. Table 2 shows the BSC ranking of the four teams. As can be seen, team Baldwin had the highest BSC score and therefore was considered the best team with respect to task work.
2. The peer evaluations of the four teams. Table 3 shows an example of the graphics that is available from the peer evaluations for one member of one of the four teams.
3. The peer evaluations of the four teams. Table 4 shows the details of the peer evaluations of one member of the four teams. Based on the data from all the members of the four teams, it was determined that team Baldwin had the highest team work score. In this exploratory study, this is the same team that had the highest task work score which validates our assumption for this one case. Additional data is being collected on additional graduate and undergraduate classes.
4. The new peer evaluations can also be used for team development. Table 5 shows the types of questions that can be used for team improvement. These questions would be asked in follow-on individual testing that is known as CompXM
5. Table 6 shows how the questions of table 5 can be used as a roadmap for team improvement in the areas of team cooperation, team coordination, team cohesion, team confidence, and team conflict.

**Implications for Educators**

University and government reports show that team work is now required in today’s workplace. Universities are increasing the use of team work in almost every class. However, grading of individual performance is more complex with the extensive use of teams.
This exploratory study shows how improved peer evaluations can be a useful tool to determine individual performance in a group setting and also as a tool for follow-on team improvement. Similar improved peer evaluation should prove helpful in other classes that use team based projects.

Table 1: Self-reported peer evaluations

<table>
<thead>
<tr>
<th>Categories</th>
<th>Items</th>
</tr>
</thead>
</table>
| Self-management/Accountability          | 1. Meeting attendance  
                                          | 2. Meeting preparation  
                                          | 3. Timely communication |
| Quality of Work & Contextual Performance| 1. Contributions reflected a thorough understanding of the team's task  
                                          | 2. Presence on the team improved our team's performance  
                                          | 3. Offered consistently high quality contributions  
                                          | 4. Was professional in all team interactions  
                                          | 5. Was open to hearing others' opinions  
                                          | 6. Paid close attention to important details  
                                          | 7. Remained engaged even when the team's results were not very good  
                                          | 8. Put forth good effort. |
| Quantity of Work                        | 1. Thinking about all the work your team accomplished in completing the Capstone simulation, please rate each team member regarding his share of the work. |

Table 2: Team BSC results

<table>
<thead>
<tr>
<th>Possible Points</th>
<th>82</th>
<th>89</th>
<th>89</th>
<th>100</th>
<th>100</th>
<th>140</th>
<th>600</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andrews</td>
<td>36</td>
<td>45</td>
<td>41</td>
<td>35</td>
<td>50</td>
<td>68</td>
<td>275</td>
</tr>
<tr>
<td>Baldwin</td>
<td>39</td>
<td>49</td>
<td>52</td>
<td>64</td>
<td>61</td>
<td>140</td>
<td>406</td>
</tr>
<tr>
<td>Chester</td>
<td>32</td>
<td>36</td>
<td>35</td>
<td>25</td>
<td>39</td>
<td>96</td>
<td>264</td>
</tr>
<tr>
<td>Digby</td>
<td>36</td>
<td>42</td>
<td>43</td>
<td>17</td>
<td>24</td>
<td>57</td>
<td>220</td>
</tr>
</tbody>
</table>

Table 3: Peer evaluation graphics
### Self-management/ Accountability

<table>
<thead>
<tr>
<th>Questions</th>
<th>Self-Ratings</th>
<th>Peer Rating of You</th>
<th>Team Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meeting Attendance.</td>
<td>5</td>
<td>4.64</td>
<td>4.67</td>
</tr>
<tr>
<td>Meeting Preparation.</td>
<td>5</td>
<td>4.64</td>
<td>4.66</td>
</tr>
<tr>
<td>Timely Communication.</td>
<td>5</td>
<td>4.63</td>
<td>4.66</td>
</tr>
<tr>
<td>Overall Quality of Work &amp; Contextual Performance Score</td>
<td>5.00</td>
<td>4.64</td>
<td>4.66</td>
</tr>
</tbody>
</table>

#### Graphical Representation:

- **Self-Rating**
- **Peer Rating Of You**
- **Team Average**
Table 4: Peer evaluation summary

<table>
<thead>
<tr>
<th>Self-management/ Accountability</th>
<th>Self-Ratings</th>
<th>Peer Rating of You</th>
<th>Team Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meeting Attendance</td>
<td>4.5</td>
<td>5</td>
<td>4.94</td>
</tr>
<tr>
<td>Meeting Preparation.</td>
<td>4.3</td>
<td>3.8</td>
<td>4.63</td>
</tr>
<tr>
<td>Timely Communication.</td>
<td>4.5</td>
<td>4.7</td>
<td>4.88</td>
</tr>
<tr>
<td>Overall Quality of Work &amp; Performance Score</td>
<td>4.43</td>
<td>4.5</td>
<td>4.82</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Quality of Work &amp; Contextual Performance</th>
<th>Self-Ratings</th>
<th>Peer Rating of You</th>
<th>Team Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Presence on team improved our team’s performance.</td>
<td>3.9</td>
<td>4.5</td>
<td>4.77</td>
</tr>
<tr>
<td>Contributions reflected an understanding of the task.</td>
<td>3.9</td>
<td>5</td>
<td>4.88</td>
</tr>
<tr>
<td>Offered consistently high quality contributions.</td>
<td>4</td>
<td>4.4</td>
<td>4.76</td>
</tr>
<tr>
<td>Was courteous and professional in team interactions.</td>
<td>4</td>
<td>5</td>
<td>4.89</td>
</tr>
<tr>
<td>Was open to hearing others’ opinions.</td>
<td>4</td>
<td>5</td>
<td>4.77</td>
</tr>
<tr>
<td>Paid close attention to important details.</td>
<td>4</td>
<td>5</td>
<td>4.89</td>
</tr>
<tr>
<td>Remained engaged when team’s results not very good.</td>
<td>4</td>
<td>4.65</td>
<td>4.81</td>
</tr>
<tr>
<td>Put forth good effort.</td>
<td>4</td>
<td>4.4</td>
<td>4.72</td>
</tr>
<tr>
<td>Overall Quantity of Work Score</td>
<td>3.98</td>
<td>4.74</td>
<td>4.81</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Quantity of Work</th>
<th>Self-Ratings</th>
<th>Peer Rating of You</th>
<th>Team Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Team members contributed equally</td>
<td>30</td>
<td>34</td>
<td>33.33</td>
</tr>
<tr>
<td>Overall Self-management/ Accountability Score</td>
<td>30</td>
<td>34</td>
<td>33.33</td>
</tr>
</tbody>
</table>

Comments
Student 1 - It seems that he is very busy with work, he had limited participation
Student 2 - No comments submitted.
Student 3 - Participates in the discussions, gives good analysis of each round of the simulation.

Table 5: Individual Peer evaluation questions for team development
Please answer the following questions about your team using the scale below.

<table>
<thead>
<tr>
<th>Question</th>
<th>Never</th>
<th>Sometimes</th>
<th>Always</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>How often is there tension between members in your team?</td>
<td></td>
<td></td>
<td></td>
<td>1.5/5</td>
</tr>
<tr>
<td>How often are there differences of opinion in your team?</td>
<td></td>
<td></td>
<td></td>
<td>2.9/5</td>
</tr>
<tr>
<td>How frequently are there conflicts about ideas in your team?</td>
<td></td>
<td></td>
<td></td>
<td>2.4/5</td>
</tr>
<tr>
<td>How often are there personality conflicts in your team?</td>
<td></td>
<td></td>
<td></td>
<td>1/5</td>
</tr>
</tbody>
</table>

Please rate the extent to which you agree with the statement regarding each of your team member’s behavior.

<table>
<thead>
<tr>
<th>Behavior</th>
<th>Strongly Disagree</th>
<th>Neither Agree nor Disagree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participates in developing a plan to achieve team goals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derek Fohl</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dan May</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Curtis Schreiber</td>
<td>3.7</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 6: Future capabilities – Team Development Roadmap

<table>
<thead>
<tr>
<th>Team Name</th>
<th>Submitted</th>
<th>Team Confidence</th>
<th>Team Cooperation</th>
<th>Team Coordination</th>
<th>Team Cohesion</th>
<th>Team Conflict</th>
<th>View</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andrews</td>
<td>done</td>
<td>4.50</td>
<td>4.27</td>
<td>4.29</td>
<td>4.82</td>
<td>2.24</td>
<td>view</td>
</tr>
<tr>
<td>Baldwin</td>
<td>done</td>
<td>3.60</td>
<td>3.70</td>
<td>3.31</td>
<td>3.99</td>
<td>3.11</td>
<td>view</td>
</tr>
<tr>
<td>Chester</td>
<td>done</td>
<td>3.86</td>
<td>3.86</td>
<td>3.93</td>
<td>4.33</td>
<td>2.19</td>
<td>view</td>
</tr>
<tr>
<td>Digby</td>
<td>done</td>
<td>4.52</td>
<td>4.37</td>
<td>4.17</td>
<td>4.78</td>
<td>2.48</td>
<td>view</td>
</tr>
<tr>
<td>Erie</td>
<td>done</td>
<td>4.42</td>
<td>4.29</td>
<td>4.00</td>
<td>4.66</td>
<td>2.42</td>
<td>view</td>
</tr>
<tr>
<td>Ferris</td>
<td>done</td>
<td>4.12</td>
<td>3.82</td>
<td>4.16</td>
<td>4.75</td>
<td>2.47</td>
<td>view</td>
</tr>
</tbody>
</table>

![Bar chart showing team development metrics](chart.png)
REFERENCES


CRITICAL THINKING FOR BUSINESS STUDENTS: A DEBATE BETWEEN MANAGEMENT AND DECISION SCIENCE FACULTY
Janice A. Black, Coastal Carolina University
J. Kay Keels, Coastal Carolina University
Brent Kinghorn, Missouri State University
Nicholas W. Twigg, Coastal Carolina University

Critical thinking for the business student means basic critical thinking plus persuasive logic. Business students, because of their expected environment after college, only need to know classic argumentation theory augmented as a form of persuasive logic. Its application fits most analytical requirements found in a College of Business and the work place. Since business students go to work in organizations that are dynamic and parts of systems, analytical thinking lacks the necessary flexibility to respond to a rapidly changing workplace. They need to base their critical thinking in systems theory.

THE PRO SIDE IN BRIEF

Getting students to make transference of a logic structure found in a philosophy class into another discipline is a challenge to say the least. Most students simply are not that interested in formal logic and cannot see its applicability to other disciplines (Wojdak, 2010). What helps is when we make the logic of our disciplinary thinking transparent as possible to the student (Paul, 2000). It is interesting that having these higher order thinking skills leads to greater satisfaction with the college experience (Mahan, 2010). It is also important to convince students of both the importance of what we are asking them to do and their ability to do it (Adcoft, 2011). Business students often pursue courses to enable greater career advancement and self-sufficiency (Basham & Buchanan, 2009). This implies that students will be more convinced of the importance of the topic if we can link it explicitly to their personal career advancement strategies. Fortunately, although out of fashion, a relatively simple yet valuable argumentation model that can be used as persuasive logic was developed by Toulmin (1958) in the middle of the last century.

Toulmin examined “arguments”. Not disagreements but reasoned and articulated thinking that could be relied upon. In Toulmin’s perspective, any statement that was proffered was an assertion or an un-validated opinion. It was untested and potentially unreliable. It was only after this statement was supported by evidence and explained with clear reasoning that it became a claim which could be relied upon and which supported decision making and action taking. In fact, just recently Toulmin’s model has been evaluated by information technology scholars to assess web page development where it was found to provide the strongest support to lead to high levels of trusting belief (Kim & Benbasat, 2006). Toulmin’s model also has been shown to be of value in evaluating managerial writing (Rogers, 1993). Thus, this model is a good one to use to integrate with critical thinking for business education. Put succinctly, Toulmin’s model calls for the successful argument or claim to be backed up by or linked through reasoning or analysis to data or factual evidence.

This type of a formal persuasively logical claim has been found to be useful in management decision making with respect to ethical stances (Schmidt, 1986), communication (Rogers, 1993), trust building (Kim & Benbasat, 2006), conflict resolution and negotiations (Keough, 1987), and complex innovation-related problem solving (Peters, Maruster, & Jorna, 2011). This type of formal arguing has also proven useful in sales (Wang & Doong, 2010), business computer programming (Gregor & Benbasat, 1999), and financial analysis (Hursti,
The quality of the claim, according to Toulmin, is based on the quality of the data and the quality of the reasoning (Toulmin, 1958).

This appears to be roughly a 7-step process. 1) One begins with a vague statement of the claim or assertion since it is not yet backed with anything. This statement provides an initial context which in business is often one of several general types of statements (Peters, Maruster, & Jorna, 2011). These include: Designative (something exists); Definitive (what it is); Explanatory (why it is); Evaluative (what it is worth); Predictive (what it will be or how it will change); and Advocative (what choices should be made). 2) One then seeks the type of reasoning or logic that is needed to support this generalized statement. This reasoning effort can be substantive, authoritative, or motivational (Brockriede & Ehninger, 1960). Substantive is where empirical data is used to support a claim and the reasoning includes an assumption concerning the concepts and their relationships with the external world or on the demonstration of formal logic (Brockriede & Ehninger, 1960). Authoritative is based on the quality of the source of the information used with an underlying assumption that the source is an expert as it pertains to that information (Brockriede & Ehninger, 1960; Peters, Maruster, & Jorna, 2011). Motivational is based on using an internal value or drive a person to whom the claim is being directed as part of the reasoning effort (Peters, Maruster, & Jorna, 2011). 3) Once the appropriate reasoning effort for the claim has been identified, one clarifies the boundaries required by both the context and the reasoning effort. 4) Furthermore, the context and reasoning effort also have assumptions required which should be confirmed. 5) Finding or acquiring data to be used is next. 6) Applying the reasoning effort by using the data that meets the identified boundaries and assumptions provides results. 7) These results enable a more precise and supported claim statement. The claim can then be used in subsequent arguments.

It can be written up as 5 parts: 1) A general assertion about the business analytics results. 2) A presentation of the foundational evidence used supported with either an authoritative cite or an earlier analytic-based claim. 3) The demonstration of the current business analytic in use is explicitly presented. 4) An interpretation of the results of the analytic that is significant, precise (detailed and contextualized), and accurate. 5) A presentation of where else this analytic result claim might be used and potential implications of either its use or non-use.

This framework maps well for example to a traditional strategic analysis report. One can state that a firm is taking a broad low-cost generic strategy approach. The first step is to “prove” that a broad approach is being undertaken by the firm. Thus, one gathers quotes from organizational sources and citing those legitimate sources that illustrate the type of thinking that reflects the “broad” versus narrow or focused approach. Then, one explicitly details the connection between expected “broad” language and the quotes found. Finally, one restates the conclusion being precise in just what ways the firm is being broad. Additionally, the low-cost approach must be verified. One begins by gathering information on the gross profit margin of the firm over time again citing legitimate sources. Next, one obtains the industry average gross profit margins over time citing legitimate sources. After crafting a table that includes (1-gross profit margins) for a cost margin, using both of the verified information, a graph is created. If the firm is consistently below the average industry cost margin, the company is demonstrably pursuing a low cost approach. The analyst interpret the graph in a clear precise fashion. Then, a conclusion is provided and future implications of this broad low-cost orientation and any trends found in the graphs are detailed for the reader.
Systems thinking was brought into the general lexicon of general business back in the 1990s. Senge’s The Fifth Discipline (Senge, The Fifth Discipline: The Art & Practice of the Learning Organization, 1990) brought the idea of explicitly considering systems thinking as part of enabling an organization to learn across time. This orientation towards learning and using the system approach is still viable today (Senge, 2007). The idea of breaking the system into constituent parts and understanding not just what those parts are but what they do, why they do what they do, and how they interact embodies system thinking in action (Atwater & Pittman, 2006). This supports Ackoff’s proposition that the relationships between the parts matter (Ackoff, 1981) and that, indeed, what the goal of the system, the constituent parts and the relationships are all very important strategically (Black & Boal, 1994).

To do this requires an holistic perspective from that bird’s eye view that enables one to understand the purpose of the system and its role in a larger system along with its elemental parts and, as mentioned earlier, why they behave as they do. Furthermore, an understanding of the dynamics in play between the elemental parts of the system across time (Richmond, 2000) is also inherently a part of this definition. These dynamics incorporate the idea of feedback loops in the activities of the organization (Sterman, 2000) such that we no longer just have input-throughput-output in a nice linear sequence but we have the possibility of going back and revisiting the same sequence more than once. The zooming in and examining how the parts of a system interact and react and displaying such responsiveness comes from the idea of closed-loop thinking, which in turn requires a second-order shift in thinking to allow a critical thinking to examine the structures and assumptions of the system (Senge, 1990).

Despite the fact that systems thinking was brought into the business research and even into the operational degree programs back in the 1990s, general business students outside of production and operation management majors often don’t get a sufficient explicit background in this type of thinking so that it can be retained and actively used by them (Stepanovich, 2009). Both Sterman (2000) and Senge (1990; 2007) suggest that training people on how to use causal loops even in a very simple fashion can be helpful to enabling them to think systemically. Systemic thinking is a way of applying critical thinking. There are three parts: Synthetic thinking, Dynamic Thinking & Closed Loop Thinking.

**Synthetic thinking.** One of the first steps in examining systemic thinking, as mentioned earlier, is to state the boundaries of the systems, which first requires you to know the purpose of the system. Paul and Elder point out that when making a complex decision issues of purpose, assumptions and concepts need to be detailed. Purpose aligns with knowing the purpose of the system. Detailing the assumptions and concepts enable one to define the boundaries of the system. The next step is to identify the parts or elements of the system. This requires a synthesis between the previous components. This represents the use of inferences and interpretations along with additional understanding and use of base concepts. It also requires the narrowing of the purpose to the specific context under examination or, in other words, knowing the question or issue that the system is addressing. One must also be confident that the full set of elemental parts are included. This requires that a full range of points of view be used for verification of completeness. These parts are not just bundled together like a set of sticks but have relationships or influences on each other. Thus, even before the dynamic examination of the system, there are implied consequences of these elements being in the same system. To determine these influences, we use our understanding
of the concepts that included them, our existing assumptions about how individually they may influence each other as modified by the points of view or perspectives they have by their current placement in the system.

**Dynamic thinking.** Beyond the implied influence relationships are the ones that actually occur. But for the relationships to be made manifest there must be some specific input (data, information or physical entities) flowing into the system. For the system to be understood, the assumptions and inferences must hold and the correct concepts must have been chosen. Thus, the dynamics involved are dependent upon these holding true at any point in time. The output to the system depends upon the point of view of the person in the system and that individual’s interpretations and/or consequences from being a part of the system. This can include intended outputs and unintended consequences. At any subsequent point in time, the point of view of the system may have changed and the parts of the system may have also been modified. Therefore, the points of view again must be assessed. They are assessed to determine if these set of concepts and assumptions about the inferences with respect to the question or issue still hold given the information that has arisen from the actions just taken. This may either satisfy the question or issue or merely help to satisfy it depending upon the time assumptions inherent in it. The feedback step of dynamic thinking is what allows us to assess the potential implications of the systems’ workings to this point.

**Closed-loop thinking.** The final part of systemic thinking is closed-loop thinking. Close-loop thinking allows for each part to immediately be affected by the result of information or physical entities coming from one system element to the proposed next system element. However, while systems have planned changes, as the parts interact, there may also be some unanticipated changes. This depends upon if all influences have been identified. The output that is generated also provides feedback to the entire system and across all known relevant points of view. Furthermore, once output has been provided to an outsider, the feedback from other linked systems and outsiders may also require changes to the entire system including re-examining the system’s purpose.

**REFERENCES**


ASSESSMENT OF NEGOTIATION SKILLS,
MASTER OF BUSINESS ADMINISTRATION PROGRAM
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Veena P. Prabhu, California State University, Los Angeles, vprabhu@calstatela.edu

ABSTRACT

The report summarizes the results of an assessment of negotiation skills of students in the Master of Business Administration (MBA) program at California State University, Los Angeles. The assessment was both direct and indirect. It directly measured students’ completion or non-completion of a task: arriving at a negotiated agreement within an allotted time. It indirectly measured students’ learning by collecting self-reported data on their negotiation skills. This report concludes with recommendations for improvement of negotiation skills and refinement of assessment of such skills.

DESCRIPTION OF THE ASSESSMENT

Master of Business Administration (MBA) students are expected to become proficient in a set of skills that should enhance their performance as managers. In the CSULA MBA program, the 4th student learning objective is “To acquire and practice leadership and managerial skills.” Further, the first of the skills to be acquired and practiced is called “Negotiation and Conflict Management,” with the following measurable learning outcomes:

- Ability to negotiate with a company or an individual in order to meet objectives while maintaining positive working relationships with the other parties;
- Ability to recognize conflict and to adopt conflict management behaviors appropriate to the situation and the parties involved such that whenever possible win-win solutions are reached.

In the required first year course BUS 511, “Managerial Skills and Business Ethics,” MBA students were pre-assigned readings on negotiations and given an introductory lecture on the topic.

One class prior to the exercise, students had received feedback on their self-assessment of conflict management preferences, with a short lecture on when different styles are effective and when they are not. Students at this point in the course were already in teams, with 4 assigned team projects to complete during the course. In the previous sessions, students sat with team members to discuss the team’s conflict management profile and potential problems and opportunities that it might present to them in the completion of their team projects. Student were therefore somewhat primed – or so it was thought – to adopt conflict resolution style that would ‘work’ in the exercise they were about to do. (For an example of the type of feedback students received, see Appendix 1).

Students were then arbitrarily divided into pairs, with an attempt to match students who did not sit near each other in class. No attempt was made to match students by gender, country of origin, English language skills, age, or any other potentially relevant variable. Each student was given a printed copy of the negotiations exercise, containing instructions (Appendix 2), a blank “Statement of Agreement” sheet (Appendix 3), and a short questionnaire (Appendix 4). The exercise was prepared by the course instructor after consultation with Peter J. Reilly,
J.D., an expert on negotiation at the Georgetown University Nonprofit Management program and the University of Texas, Austin School of Law.

In addition to the negotiations exercise instructions, there were two one-page sheets with confidential information corresponding to the two roles in the negotiations that were to take place: Billy(ie) Beancounter and Sasha Greatvoice (omitted from this paper). One student per pair received the confidential information for Billy(ie) Beancounter, who was to negotiate on behalf of the San Gabriel Opera House, and one student received the confidential information for Sasha Greatvoice, the opera singer, who was to negotiate on his/her own behalf.

The confidential information revealed that both parties would greatly benefit from reaching a negotiated agreement, although the reasons and details varied. Thus, a negotiated agreement between the two parties was not only possible, but expected. Moreover, the exercise lent itself to potentially creative approaches that could fulfill the underlying true interests of both parties at the same time. Thus, a win-win solution was called for.

The instructions indicated that the parties had a total of 12 minutes to reach an agreement, however the instructor extended the time to 20 minutes after observing that most pairs were still in the midst of negotiating at the 10 minute point. When the instructor announced that time was up, students wrote the details of the blank “Statement of Agreement” form, initialed the form, and handed it in. Then each MBA student separately completed the short questionnaire. Upon completion, the instructor led a class discussion of the results of negotiation, writing the details of agreement on the blackboard. The instructor then prompted students to dissect the effective and ineffective negotiating behaviors in the exercise just completed. After the debriefing, the instructor proceeded with a second lecture on negotiation theory, techniques, and skills.

**Variables in the Direct and Indirect Assessment of Skill**

The variable of interest in the **direct assessment** was completion or non-completion of the task; that is, did the pair arrive at a negotiated agreement. The assessment did not capture the “quality” of the agreement.

The **indirect assessment** captured students’ satisfaction with the outcome of the agreement, perception of the other party’s satisfaction with the outcome, judgment about which party got a “better deal,” opinion about the importance of more information and better skills in getting the best deal, characterization of each parties’ conflict management styles, and assessment of the other party’s behavior during the negotiations. Eight of the indirect assessment items were measured using 5-point Likert-type scales, while “Which party got the better deal?” and “Characterize your/ the other party’s style…” were single answer, forced choice items.

**Sample and Data Collection**

Data were collected from 30 MBA students in an in-class exercise in BUS 511 in Spring 2010. In previous research (Ala & McGuire, 2005; Thomas et al., 2008; McGuire, et al., 2009) gender and country of origin were shown to be associated with conflict management styles, however the present assessment did not capture demographic information and therefore the effect of these potentially important variables on outcomes could not be examined.
Results – Direct Assessment

Of the 15 pairs of negotiators, 8 arrived at a negotiated agreement within the extended 20 minute time limitation, while 7 did not, as shown in Figure 1. In the post-exercise debriefing of agreements made (and not made), wide differences in quality of agreement were observed. The negotiated conditions under which Sasha Greatvoice would perform at the Opera House varied so widely as to challenge finding any pattern, as did the compensation to be paid to the opera singer (from zero to more than the available budget indicated in Billy(ie) Beancounter’s confidential agreement). As noted previously, however, the quality of agreement was not explicitly measured in the assessment.

![Figure 1. MBA Students' Performance on Negotiations Exercise](image)

Results – Indirect Assessment

The first indirect measure was the student’s degree of satisfaction with the outcome of the negotiations, as well as his/her opinion about the other party’s satisfaction. Table 1 provides the mean responses for students who came to an agreement or did not. The most obvious conclusion is that students who arrived at an agreement – independent of the quality of that agreement – tended to be satisfied with the outcome (mean 4.4 on the 5-point Likert scale) and believe that the other party was also satisfied (mean 2.43). As one would expect, MBA students who did not come to an agreement were generally dissatisfied (mean difference 2, p=.000) and quite correctly believed that their counterparts in the negotiation felt the same.

### Table 1.

**MBA Student Satisfaction with Outcomes**

<table>
<thead>
<tr>
<th>REACHED AGREEMENT</th>
<th>n</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Mean Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>How Satisfied are you with the Outcome of the Negotiations? yes</td>
<td>16</td>
<td>4.44</td>
<td>.629</td>
<td>2.009 ***</td>
</tr>
<tr>
<td>no</td>
<td>14</td>
<td>2.43</td>
<td>.756</td>
<td></td>
</tr>
<tr>
<td>How Satisfied do you think the Negotiated Agreement? yes</td>
<td>16</td>
<td>4.25</td>
<td>.856</td>
<td>1.964 ***</td>
</tr>
</tbody>
</table>
Other Party is with the Outcome of the Negotiations? | No | 14 | 2.29 | .994

*** indicates statistical significance at the 0.001 level (t-test of mean differences)

The second indirect assessment was students’ indication of who got a “better deal” in the negotiation. Table 2 provides the frequency of responses, independent of whether or not the students reached an agreement. It is noteworthy that most students agreed that neither party got a better deal, and only 10% thought that the other party did.

TABLE 2.

MBA Responses: Which Party Got a “Better Deal”?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Me</td>
<td>9</td>
<td>30 %</td>
</tr>
<tr>
<td>Neither</td>
<td>18</td>
<td>60 %</td>
</tr>
<tr>
<td>Other Party</td>
<td>3</td>
<td>10 %</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>100 %</td>
</tr>
</tbody>
</table>

One can then examine the degree to which the negotiators expressed satisfaction with the outcome, taking into account their rating of who got a better deal. While a number of different ways to analyze these combinations is possible, Table 3 provides the mean satisfaction responses of two groups; those who believe that neither party got a better deal and those who believed that one of the parties did. At first look, it seems that satisfaction with the outcome decreased when neither party got a better deal. Table 4 takes the analysis one step further, however.

TABLE 3.

MBA Responses: Better Deal and Satisfaction with Outcome

<table>
<thead>
<tr>
<th>BETTER DEAL</th>
<th>n</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Mean Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>How Satisfied are you with the Outcome of the Negotiations?</td>
<td>Neither party</td>
<td>18</td>
<td>2.94</td>
<td>1.211</td>
</tr>
<tr>
<td></td>
<td>One party</td>
<td>12</td>
<td>4.33</td>
<td>.651</td>
</tr>
<tr>
<td>How Satisfied do you think the Other Party is with the Outcome of the Negotiations?</td>
<td>Neither party</td>
<td>18</td>
<td>2.83</td>
<td>1.383</td>
</tr>
<tr>
<td></td>
<td>One party</td>
<td>12</td>
<td>4.08</td>
<td>.900</td>
</tr>
</tbody>
</table>

** indicates statistical significance at the 0.01 level, *** at the 0.001 (t-test of mean differences)
In Table 4, the same results are provided but split between two groups, those who reached a negotiated agreement and those who did not. As would be expected, in every case that a negotiated agreement was not reached, students concluded that neither party got the better deal. (This of course is not always the case in real business negotiations, as students learn in BUS 511 and are frequently tested on the MBA Comprehensive Examination.) When “reached agreement” is taken into account, differences in satisfaction with the outcome are non-significant.

**TABLE 4.**

**MBA Responses: Reach Agreement, Better Deal, and Satisfaction with Outcome**

<table>
<thead>
<tr>
<th>REACHED AGREEMENT</th>
<th>BETTER DEAL</th>
<th>n</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Mean Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>How Satisfied are you with the Outcome?</td>
<td>Neither party</td>
<td>14</td>
<td>2.43</td>
<td>.756</td>
</tr>
<tr>
<td></td>
<td></td>
<td>One party</td>
<td>0</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td></td>
<td>How Satisfied do you think the Other Party is with the Outcome?</td>
<td>Neither party</td>
<td>14</td>
<td>2.29</td>
<td>.994</td>
</tr>
<tr>
<td></td>
<td></td>
<td>One party</td>
<td>0</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td>YES</td>
<td>How Satisfied are you with the Outcome?</td>
<td>Neither party</td>
<td>4</td>
<td>4.75</td>
<td>.500</td>
</tr>
<tr>
<td></td>
<td></td>
<td>One party</td>
<td>12</td>
<td>4.33</td>
<td>.651</td>
</tr>
<tr>
<td></td>
<td>How Satisfied do you think the Other Party is with the Outcome?</td>
<td>Neither party</td>
<td>4</td>
<td>4.75</td>
<td>.500</td>
</tr>
<tr>
<td></td>
<td></td>
<td>One party</td>
<td>12</td>
<td>4.08</td>
<td>.900</td>
</tr>
</tbody>
</table>

n.s. indicates a non-significant difference of mean scores

The next question was, “To what extent do you think you would have gotten a better deal if you had negotiated better or known more?” The mean student response was 3.5 (std. dev. 1.25). Surprisingly, the mean score for those who reached agreement was identical to that of those who did not. In negotiations, one always wants to know more and negotiate better, so the answers do not provide much insight for improvement of learning.

MBA students next assessed their own and their counterparts’ negotiation styles in the session. Independently of (and prior to) the assessment, the same students had completed self-assessments of their conflict management styles. However, no attempt was made to compare the self-assessments in the previous exercise and the self-assessments in the present. Hopefully, if nothing else, MBA students’ familiarity with the five styles increased through repeated exposure to the terms.

Table 5 shows that among those who reached an agreement, the most common self-assessment of style was collaborating (11 students, or 68%) however this was also the most common self-assessment among those who did not get to agreement (6 students, or 43%). No significant differences were found between the self-assessed styles among those who reached agreement and those who did not.
When it came to rating the other party’s conflict style, the results are remarkable. All MBA students in the sample who came to an agreement saw the other party as either Collaborating (seeking win-win solutions) or Compromising (seeking a middle ground) and the difference between the agreement/no agreement groups was significant (Chi-square = 18.31, p=.001). One possible interpretation of this finding is that MBA students largely attributed reaching agreement (or not) to the other party’s style in the negotiation rather than to their own conflict management style. This is likely the effect of self-serving bias, and was addressed in the post-exercise debriefing in class.

### TABLE 5.

MBA Assessment of Own and Other's Conflict Style

<table>
<thead>
<tr>
<th></th>
<th>MY CONFLICT STYLE</th>
<th></th>
<th></th>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Avoiding</td>
<td>Accom</td>
<td>Collab</td>
<td>Competing</td>
<td>Compro</td>
</tr>
<tr>
<td>REACHED AGREEMENT</td>
<td>1</td>
<td>6</td>
<td>2</td>
<td>5</td>
<td>14</td>
</tr>
<tr>
<td>REACHED AGREEMENT</td>
<td>1</td>
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<tr>
<td>Total</td>
<td>2</td>
<td>17</td>
<td>3</td>
<td>8</td>
<td>30</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>OTHER'S CONFLICT STYLE</th>
<th></th>
<th></th>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Avoiding</td>
<td>Accom</td>
<td>Collab</td>
<td>Competing</td>
<td>Compro</td>
</tr>
<tr>
<td>REACHED AGREEMENT</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>5</td>
<td>14</td>
</tr>
<tr>
<td>REACHED AGREEMENT</td>
<td>0</td>
<td>10</td>
<td>0</td>
<td>6</td>
<td>16</td>
</tr>
<tr>
<td>Total</td>
<td>4</td>
<td>11</td>
<td>5</td>
<td>9</td>
<td>30</td>
</tr>
</tbody>
</table>

Table 6 examines MBA students’ ratings of the other party’s conflict management style taking into account whether or not agreement was reached and who got the “better deal.” It can be seen that when agreement was not reached, students mostly attributed “Competing” styles (seeking their own interests, or ‘win-lose’), then “Avoiding,” then “Compromising” to the other party. When agreement was reached, the other’s “Collaborating” style was typically associated with the student getting a better deal or neither party getting a better deal.

In summary, students perceived that a deal was reached when the other party collaborated or compromised, and only in such cases did one get a “better” or “neither better nor worse” agreement.

### TABLE 6.

MBA Assessment of Other's Conflict Style, Agreement, and Better Deal

<table>
<thead>
<tr>
<th>REACHED AGREEMENT</th>
<th>OTHER'S CONFLICT STYLE</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Avoiding</td>
<td>Accomm</td>
</tr>
<tr>
<td>REACHED AGREEMENT</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>REACHED AGREEMENT</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>4</td>
<td>11</td>
</tr>
</tbody>
</table>
Lastly, the MBA students rated the other party’s behavior in the negotiations. Figure 2 and Table 7 provides the scores for students who reached and did not reach an agreement. For all of the five rating scales, there was a significant difference in the mean ratings of students who reached agreement and those who did not. The largest difference found was on the rating of “fairness” (mean difference 1.51, \( p = .000 \))

![Figure 2. MBA Assessments of Other Party's Behavior in Negotiations](image)

**Table 7.**

<table>
<thead>
<tr>
<th>MBA Student Ratings of Other Party’s Behavior in Negotiations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REACHED AGREEMENT</strong></td>
</tr>
<tr>
<td>-----------------------</td>
</tr>
<tr>
<td><strong>FAIR</strong></td>
</tr>
<tr>
<td>yes</td>
</tr>
<tr>
<td>no</td>
</tr>
<tr>
<td><strong>RELAXED</strong></td>
</tr>
<tr>
<td>yes</td>
</tr>
</tbody>
</table>
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Albuquerque, NM, March 12 - March 16

<table>
<thead>
<tr>
<th></th>
<th>yes</th>
<th>no</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>RESPECTFUL</td>
<td>16</td>
<td>14</td>
<td>4.3</td>
<td>3.07</td>
<td>0.83</td>
</tr>
<tr>
<td>STRAIGHT-FORWARD</td>
<td>16</td>
<td>14</td>
<td>3.93</td>
<td>3.6</td>
<td>1.08</td>
</tr>
<tr>
<td>RATIONAL</td>
<td>16</td>
<td>14</td>
<td>3.7</td>
<td>3.07</td>
<td>1.179</td>
</tr>
</tbody>
</table>

* indicates statistical significance at the 0.05 level, ** at the 0.01, *** at the 0.001 level (t-test of mean differences)

DISCUSSION

That only 53% of the sample arrived at a negotiated agreement within the extended time period suggests that our MBA students need more practice in negotiations. While it is true that the conditions of the exercise (time constraint, limited information) increased the difficulty of reaching an agreement, all negotiations have such constraints. No business manager has all the information he or she needs, and in business dealings, negotiations must be completed by certain deadlines or no deal will be reached at all. Moreover, the exercise provided a situation where in a negotiated agreement was not only possible, but both parties needed to make a deal and a win-win solution was called for.

The assessment method itself, or the way it was employed, may be biased. First, the assumption that the MBA students had carefully read (or read at all) the pre-assigned readings may be false. Second, the time period proved to be insufficient and needed to be extended. Third, the true learning probably occurred in the post-exercise debriefing and the lecture that followed – not in short lecture or readings that preceded the task. Therefore, a better assessment could be made in a second, follow-up negotiation in another class. BUS 511 could use the first exercise, followed by an assessment, debriefing, and lecture. A second, similar exercise could be done in a following class, with a second assessment and debriefing. Such an approach might capture learning better than the present, and in addition would allow for an approximation of a pre-test, post-test measure of skill (therefore skill improvement). It should of course be noted that coming up with a good exercise is no easy task and a poor exercise might do more harm than good in building skills.

In the direct assessment of skills, in addition to measuring reached vs. did not reach agreement, a rubric could be developed to rate the quality of the agreement actually reached as written on the “Statement of Agreement.”

From the indirect assessment, it can be seen that satisfaction with the outcome is largely a measure of reaching an agreement – any agreement. Moreover, students perceive that reaching an agreement is largely a function of the style and behaviors that the other party demonstrated. Such perceptions are not particularly constructive; managers cannot accept that negotiations will only be successful if the other party is “helpful.” Quite often negotiations have to be carried out with hostile parties, and negotiation skills include dealing with difficult parties and still arriving at an agreement. A number of techniques for this are
taught in BUS 511, although practice in negotiating is needed to make good use of these or any other techniques.

Follow-up

(1) Learning is enhanced by practice and feedback. BUS 511 instructors should use at least two negotiation exercises in the course, and provide feedback when debriefing the exercise in order to help students improve their negotiating skills.

(2) The direct assessment of negotiating skills can be improved by measuring performance on two negotiating tasks, the second one occurring in another class meeting. As noted, the direct assessment should also include a rating by the instructor of the quality of the outcome reached.

(3) The indirect assessment can be improved by adding questions about what the students thought helped or hindered. For example, “To What extent do you think you could have gotten a better deal if you had negotiated better or known certain facts?” is too broad a question and misses much. The assessment should measure separately perceptions about “know certain facts,” “had more time,” and “negotiated better.”

(4) The time needed for the exercise needs to be extended to (probably) 20 minutes.

(5) A formal assessment of negotiation skills should be made in the MBA program at least twice in a 5-year period, with reports to the MBA faculty.

Appendix 1: Feedback to Students on Self-Assessment of Conflict Management Preference
Sample of 5746 executives and management students from 143 countries:

<table>
<thead>
<tr>
<th>Primary Preference (all respondents)</th>
<th>Competing</th>
<th>Compromising</th>
<th>Collaborating</th>
<th>Accommodating</th>
<th>Avoiding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compending</td>
<td>19%</td>
<td>23%</td>
<td>19%</td>
<td>19%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Note: Bar height indicates the mean score of all respondents from your country. The primary preference (below) indicates the preference on which most people from your country score highest.

Primary Preference, respondents from US: Compromising
Zacapa

Zacapa Primary Preference --> Example MBA Student Primary Preference COMPETING

Mean Score 506 Teams

Zacapa Example MBA Student

<table>
<thead>
<tr>
<th>No. Team Members</th>
<th>Mean Zacapa</th>
<th>Std. Dev. Zacapa</th>
<th>Members with Primary Preference</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>6.60</td>
<td>2.87</td>
<td>40%</td>
</tr>
<tr>
<td>COMPETING</td>
<td>7.00</td>
<td>1.55</td>
<td>20%</td>
</tr>
<tr>
<td>COMPROMISING</td>
<td>7.40</td>
<td>1.02</td>
<td>20%</td>
</tr>
<tr>
<td>COLLABORATING</td>
<td>5.40</td>
<td>2.33</td>
<td>20%</td>
</tr>
<tr>
<td>AVOIDING</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
College of Business and Economics  
CALIFORNIA STATE UNIVERSITY, LOS ANGELES  

NEGOTIATIONS EXERCISE  

SASHA GREATVOICE, OPERA SINGER,  
and  
THE SAN GABRIEL OPERA HOUSE AND CONCERT HALL  

Stephen J.J. McGuire
California State University, Los Angeles  
October 22, 2008  

A short meeting has been arranged between Billy / Billie Beanounter of the San Gabriel Opera House and Concert Hall and Sasha Greatvoice, the opera singer.  

In this meeting, the two parties should negotiate a deal in which Sasha would perform at the Opera House, or conclude that no deal could be reached in the time allowed for the meeting.  

Each party will receive a preparation sheet that should not be shown to the other side or brought to the meeting. Please use a blank piece of paper to take any notes you want during the meeting. At the end of the meeting, write down what agreement was reached (or no agreement). Each should initial the agreement statement.  

You have 12 minutes for this exercise.  

REFERENCES  


EMPLOYEES’ REACTIONS AND SANCTIONING RATINGS
TO INCIDENTS OF AGGRESSION AND BULLYING
Jack Howard, University of Alabama at Birmingham, jlhoward@uab.edu
Allen Johnston, University of Alabama at Birmingham, ajohnston@uab.edu
Barbara A. Wech, University of Alabama at Birmingham, bawech@uab.edu
James Stout, Children’s of Alabama, james.stout@childrensal.org

ABSTRACT
In spite of considerable research that identifies the causes and consequence of workplace aggression and bullying, organizations and employees continue to experience it. Little research has been conducted examining how employees respond to aggression and bullying when they experience or witness it. The present study examines the influence of perceptions of aggression and bullying on subsequent employee reactions and sanctioning ratings. Empowerment, well-being, and communication satisfaction are examined to determine their moderating influence on reactions and sanctioning ratings. The findings indicate that employees address incidents of aggression differently than incidents of bullying, with empowerment moderating reactions and sanctioning recommendations.

INTRODUCTION
Postal worker Arthur Lee Darby, Jr. opened fire inside the Montgomery, Alabama post office on December 1, 2011 (Wade, 2011). Police arrested Darby who was subsequently charged with two counts of attempted murder. A survey conducted by the Workplace Bullying Institute estimated that 53.5 million employees or 35% of the U.S. workforce reported being bullied (2010). The healthcare industry has the most nonfatal assaults, with 45% of such assaults resulting in lost work time. Stories and information such as these are not uncommon. Organizations have to deal with aggression and bullying by employees and from people external to their organizations.

Aggression in the workplace has received considerable attention for the better part of two decades (e.g., Barling, 1996; Douglas, Kiewitz, Martinko, Harvey, Kim, & Chun, 2008; Neuman & Baron, 1998). Research has revealed that aggression takes a variety of forms, including hostility, obstructionism, and overt aggression (Neuman & Baron, 1998). Aggression can also evolve into bullying if it is repeated over time (Olwens, 1999; Vartia, 2001), as well as be generated from within or outside of the organization (Howard & Wech, 2012). Most of the conceptual models to date consist of antecedents, such as individual and environmental factors, which then are subject to the cognitive processing of an individual (Barling, 1996; Martinko, Gundlach, & Douglas, 2002; O’Leary-Kelly, Griffin, & Glew, 1996). If the cognitive processing creates a perception of an injustice, then aggressive or bullying behaviors may be demonstrated (Neuman & Baron, 1998; Skarlicki & Folger, 1997).

In this paper we focus our efforts on what occurs after the event has taken place. The effects that aggression and bullying have on employees once they have witnessed such an event deserve more attention because there are consequences that result from these incidents, such as a decrease in morale and coworker trust and an increase in stress and/or depression (Society for Human Resource Management, 2012). Developing a more informed understanding will assist researchers and practitioners in determining the full range of costs of such incidents, as well as developing ways to better address how to assist employees who observe such events.
Specifically, we intend to extend the literature by focusing on an individual’s perceptions of incidents of aggression and bullying and determining how the perceptions influence an individual’s reaction to the events as well as the sanctions they believe should be imposed on perpetrators of these events.

WORKPLACE AGGRESSION AND BULLYING

Aggression and bullying in the workplace have been defined in a variety of ways. For the purposes of this paper, we will define aggression as “all forms of behavior by which individuals attempt to harm others at work or in their organizations” (Neuman & Baron, 1998, p. 395). In contrast, the characteristics that distinguish bullying are that the behavior is intentional and the actions are repeated and occur across time (Olwens, 1999).

Aggressive and bullying behaviors occur in organizations more regularly than one might believe if they focused only on the incidents covered in the popular press (Hoobler & Swanberg, 2006). In the vast majority of cases, aggression and bullying do not result in such calamity and go unnoticed by the popular press. This does not make it any less important to organizations, as there are many implications for organizations for these less sensational forms of behavior.

Organizations need to fully address aggression and bullying in the workplace. One issue organizations should address are the perceptions that employees have once they have witnessed aggression or bullying, as even witnessing an event affects the well-being of those individuals (Vartia, 2001). Their perceptions will influence how they react to the situation. They can react in numerous ways, ranging from doing nothing to reacting in kind towards the perpetrator. Furthermore, their perceptions of an aggressive or bullying act may influence the sanctions they believe the organization should take to address the individual. Individual attributes, such as empowerment and well-being, as well as environmental issues, such as satisfaction with organizational communication, will further influence how employees react and the sanctions they believe are appropriate. The key issue underlying the reactions and proposed sanctions is perceptions. Understanding perceptions and the subsequent influences they have following aggressive and bullying events is of import in order to more fully understand the effects of these events on employees and organizations. In the next section of this paper, aggression and bullying will be presented.

Incidents of Aggression and Bullying

Research demonstrates that while there are numerous causes that contribute to aggressive behavior in organizations, the events that unfold take one of three forms (Baron, Neuman, & Geddes, 1999; Neuman & Baron, 1998) ranging in level of severity: expressions of hostility (lowest level); obstructionism; and overt aggression (highest level). Expressions of hostility consist of hostile verbal or symbolic behaviors, while obstructionism is comprised of behaviors designed to hinder the work performance of another employee. Overt aggression includes behaviors such as assaults or damage to organizational or individual property.

Similarly, bullying in the workplace has been examined from a variety of perspectives, resulting in several definitions. While many definitions exist, most of these definitions share some key characteristics (Einarsen, 1999; Quine, 2001). One of the characteristics is that
individuals are subjected to aggressive behaviors with the intent to do harm, while the second primary characteristic is that these behaviors are repeated over time. For example, in several studies of bullying in the workplace, sampling has focused on identifying participants who had experienced these types of behaviors on a daily, weekly, or monthly basis (Kernan, Watson, Chen & Kim, 2011; Ocel & Aydin, 2012; Vartia, 1996). This illustrates that a key difference between aggression and bullying is the repeated nature of the behavior.

Regardless of whether the incident is aggression or bullying, these incidents have perpetrators and victims. Not all organizations face the same types of perpetrators, nor do they include the same types of victims. In most cases, victims are individuals within the organization or the organization itself, whereas perpetrators can include organizational insiders (i.e., employees) as well as organizational outsiders (i.e., customers, clients, etc.) (Bureau of Labor Statistics, 2005; Hoobler & Swanberg, 2006; Howard, 2011; Innes, Barling & Turner, 2005).

Because aggressive incidents include behaviors representing the range of aggressive behaviors, as well as the fact that these can be isolated incidents or repeated multiple times, as in the case of bullying, the present research will present scenarios where these characteristics are manipulated. Furthermore, perpetrators that are internal and external to the organization will be included. More complete information regarding scenario development will be presented in the method section of this paper.

**Perceptions of Aggression and Bullying**

Just as aggressive incidents have been proposed to fall into different categories of severity, the perceptions of these incidents by observers also varies, with the acts influencing the perceptions. Consistent with the levels of aggression identified by Baron et al. (1999), Howard (2011) found that individuals consistently perceived different forms of aggressive behaviors differently. With respect to being representative of violence, assaults were perceived at a significantly higher level than were expressions of hostility. Drawing from these findings, it is logical to believe that perceptions of aggression and perceptions of bullying could also vary in a systematic manner. This should then influence how one reacts to these events as well as what they believe should be done to address these incidents.

Little research to date has been conducted to determine whether the repeated nature of behaviors is perceived by individuals to differentiate between aggression and bullying. This raises the question as to how victims or witnesses to these events might perceive and categorize them. It is unclear if this perception is shaped solely by the repeated nature of the events, or if an event is severe enough (i.e., overt aggression) that the event does not have to be repeated as often as a less severe event (i.e., expressions of hostility) in order to be perceived as bullying. By measuring perceptions of individuals, we believe that research can begin to uncover what these key differences are, as well as how this shapes subsequent behaviors of those who experience aggression and bullying in the workplace.

**Reactions to aggressive and bullying incidents.** Research from numerous fields has demonstrated that perceptions influence subsequent behavior (e.g., Blau, 1964; Skarlicki and Folger, 1997). Once an act of aggression occurs, individuals have a variety of ways in which they can respond to the situation. Research on justice has produced evidence that when situations are not perceived to be fair, employees will behave in a way to balance the
situation, whether it be through employee theft or some other form of retaliation (Bowling & Beehr, 2006; Greenberg, 1990; Skarlicki & Folger, 1997). Consistent with social exchange theory (Blau, 1964), research has suggested that aggression is dyadic in nature, whereby if an individual is aggressive towards another, they are likely to be the target of aggressive acts by the person that they targeted initially (Glomb & Liao, 2003).

Research on how individuals respond to personal offense has demonstrated that there are several ways in which employees cope in response to a perceived wrongdoing (Aquino, Tripp, & Bies, 2006). In some instances, revenge is an option, while in others the options might be forgiveness, reconciliation, or avoidance. For example, if the likelihood of getting caught is low, employees might be more likely to take matters into their own hands in order to arrive at a just or fair situation, consistent with research on justice and social exchange theory. Similarly, another coping mechanism that has been found in the abusive supervision literature is reciprocation of an abusive supervisor’s behavior (Duffy, Ganster, & Pagon, 2002; Innes et al., 2005).

Drawing from this, it is conceivable that behaviors will vary based on the perceptions of aggression or bullying, and that the more representative an act of aggression or bullying is, the more a subsequent behavior will also be severe. If the act or aggression or bullying was more perceived as more representative of it, the response would likely be higher, meaning at a similar or appropriate level to the original act. Understanding social exchange theory and the fact that employees may cope with events in a variety of ways, it is reasonable to believe that how an individual may respond to situations may be affected by the perception of the action that was originally taken as well how often the action is perpetrated. Given this, the following is proposed:

\[ H1a: \text{Perceptions of aggression will exert a significant, positive relationship on employee reactions to the incident.} \]

\[ H1b: \text{Perceptions of bullying will exert a significant, positive relationship on employee reactions to the incident.} \]

**Sanctioning ratings.** Researchers and practitioners have suggested numerous ways to address workplace aggression (Lucero & Allen, 2006; Wade, 2004). Typically listed among the recommendations is the development of a policy as well as discipline or punishment that is appropriate for the offense. Some also include information that management following through is also important. How any issue, including workplace aggression and bullying, is handled in an organization influences employees’ thoughts of justice and fairness (Karriker & Williams, 2009).

Research conducted by Brown and Sumner (2006) demonstrated that the type of aggression perceived to occur influences the sanction ratings that individuals believe is appropriate, given the situation. The sanctions parallel actions a manager could take against an individual who demonstrates aggression in the workplace, including doing nothing, informally discussing the incident, discussing the incident, formally sanctioning or transferring the aggressor, and termination. Sanctioning ratings for the different levels of aggression consistently varied, with overt aggression resulting in sanctioning ratings that were...
significantly higher than when either obstructionism or hostility were demonstrated, but that no difference existed between obstructionism and hostility.

These findings, along with those of Howard (2011), suggest that individuals perceive the different levels of aggression differently and these perceptions lead to higher sanctioning ratings. Given these findings, we expect that incidents that are perceived as a higher level of aggression or bullying will receive higher sanctioning ratings than incidents perceived as less aggressive or bullying. Furthermore, overt aggression should receive significantly higher sanction ratings than either expressions of hostility or obstructionism. Building on these findings, perceptions of aggression or bullying behaviors should exert a positive relationship on sanctioning ratings. Thus, the following are hypothesized:

\[ H2a: \text{Perceptions of aggression will exhibit a significant, positive relationship on sanctioning ratings.} \]

\[ H2b: \text{Higher levels of aggression will exhibit a significant, positive relationship on sanctioning ratings.} \]

\[ H2c: \text{Perceptions of bullying will exhibit a significant, positive relationship on sanctioning ratings.} \]

**Moderators: Empowerment, Well-Being, and Communication**

In the following section, we propose three potential moderators of the relationship between aggression and bullying and the associated proposed sanctions and reactions to these behaviors.

**Empowerment.** Employees in any organization vary in terms of how active a role they take in the organization. This is shaped by a number of influences, including to what extent they believe they might be able to shape their work role or context (Spreitzer, 1995). Employees who are thought to be active in shaping their work role are said to be empowered. Empowered employees have been found to experience more job satisfaction, perceive higher levels of work performance, and be more committed to their organization and its goals than employees who are not empowered (Elloy, 2012; Koberg, Boss, Senjem & Goodman, 1999; Zhou, Wang, Chen & Shi, 2012). Furthermore, it has been proposed that empowered employees are enabled to perform organizational citizenship behaviors (OCB), and evidence from the service industry that empowerment exerts a positive influence on service oriented OCBs supports this concept (Jiang, Sun & Law, 2011; Morrison, 1996).

Empowerment has been posited to influence workplace aggression (e.g., Olson, Nelson, & Parayitam, 2006), however few empirical studies have examined how it operates in conjunction with aggression or bullying. A study examining the effects of empowerment on burnout found that empowerment was negatively related to burnout, as well as allowing workers to continue to provide good customer service in spite of customer aggression (Ben-Zur & Yagil, 2005). This suggests that empowered employees have a confidence or sense of control about them even in hostile situations. These findings, in conjunction with those findings that empowered employees perform service oriented OCBs at higher levels, suggest that empowered employees are more likely to do what is best for the organization. Based on
these findings, it is proposed that empowered employees may be more likely to recommend sanctions for employees who are aggressive or demonstrate bullying behaviors, believing that they have an influence on their workplace and that suggesting sanctions is best for the organization. Consequently, they may be more likely to take action rather than allow the employees to disrupt the workplace. As a result, the following hypotheses are proposed:

\[ H3a: \text{Empowerment will moderate the relationship between perceptions of aggression and sanctioning ratings such that sanctioning ratings will be significantly higher among empowered employees.} \]

\[ H3b: \text{Empowerment will moderate the relationship between perceptions of aggression and employee reactions such that reactions will be significantly higher among empowered employees.} \]

\[ H3c: \text{Empowerment will moderate the relationship between perceptions of bullying and sanctioning ratings such that sanctioning ratings will be significantly higher among empowered employees.} \]

\[ H3d: \text{Empowerment will moderate the relationship between perceptions of bullying and employee reactions such that reactions will be significantly higher among empowered employees.} \]

Well-being. Employee psychological well-being is important and has several implications for organizations. A considerable amount of research has been conducted that examines numerous types of employee well-being from a variety of perspectives, as both a predictor of work performance and as an outcome in the workplace (e.g., Arnold, Turner, Barling, Kelloway & McKee, 2007; Wright & Cropanzano, 2000; Wright & Hobfoll, 2004). There are several variables that influence employee well-being, with aggression and bullying among those variables (Miner-Rubino & Cortina, 2004; Vartia, 2001). Furthermore, this research demonstrates that it is not just the individuals that experience aggression and bullying whose well-being is affected, witnesses to these events have their well-being adversely affected as well.

Psychological well-being has been found to moderate the relationship between job satisfaction and job performance (Wright, Cropanzano & Bonett, 2007). This finding indicates that individuals with high well-being perform at higher levels than individuals with low well-being. Additionally, it has been asserted that individuals with high well-being respond more favorably to positive circumstances than individuals with low well-being (Cropanzano & Wright, 2001). Extending these findings to aggression and bullying in the workplace, we propose that well-being moderates the relationship between perceptions of aggression and bullying and the subsequent sanctioning ratings and reactions individuals choose. Drawing from this, the following is proposed:

\[ H4a: \text{Well-being moderates the relationship between perceptions of aggression on sanctioning ratings such that individuals with high well-being will provide significantly higher sanctioning ratings than employees with low well-being.} \]
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H4b: Well-being moderates the relationship between perceptions of aggression on reactions such that individuals with high well-being will react significantly higher than employees with low well-being.

H4c: Well-being moderates the relationship between perceptions of bullying on sanctioning ratings such that individuals with high well-being will provide significantly higher sanctioning ratings than employees with low well-being.

H4d: Well-being moderates the relationship between perceptions of bullying on reactions such that individuals with high well-being will react significantly higher than employees with low well-being.

Communication satisfaction. Communication in any organization is critical to its success and effectiveness (Redding, 1973). Higher levels of communication satisfaction have been found to lead to higher levels of employee performance and job satisfaction, as well as influence employee satisfaction (Clampitt & Downs, 1993; Downs & Hazen, 1977; Pincus, 1986; Vartia, 1996). Additionally, the perceptions of organizational communication have been found to predict employee involvement in organizations (Bartels, Pruyn, de Jong, & Joustra, 2007). If this occurs, it is reasonable to believe that they may be likely to voice opinions openly, believing that management will listen and take action in response. Conversely, employees not satisfied with communication may be likely to remain silent, believing that it will not change the status quo.

Some research on communication climate has extended this theoretical lens to the issue of aggression and bullying in the workplace. This research has found that a poor communication climate is a characteristic that promotes various forms of aggression, specifically bullying (Vartia, 1996). In particular, a poor communication climate is one that does not encourage an open exchange of ideas, one that does not value differences of opinion, and one where employees feel like they are not being listened to. Such a communication environment may allow problems to persist, whereas positive organizational communication might lead employees to take actions to address problems in organizations. Thus, the following hypotheses are proposed:

H5a: Communication satisfaction moderates the relationship between perceptions of aggression on sanctioning ratings such that individuals with high communication satisfaction will provide significantly higher sanctioning ratings than employees with low communication satisfaction.

H5b: Communication satisfaction moderates the relationship between perceptions of aggression on reactions such that individuals with high communication satisfaction will react significantly higher than employees with low communication satisfaction.

H5c: Communication satisfaction moderates the relationship between perceptions of bullying on sanctioning ratings such that individuals with high communication satisfaction will provide significantly higher sanctioning ratings than employees with low communication satisfaction.
H5d: Communication satisfaction moderates the relationship between perceptions of bullying on reactions such that individuals with high communication satisfaction will react significantly higher than employees with high communication satisfaction.

METHOD

To investigate the research questions and the associated model presented in this study, we employed a factorial survey research approach, in part for its ability to uncover the structure of decision making and to elicit forthright responses from study participants under the duress of potential retribution from the disclosure of truth (Trevino & Victor, 1992). A specialized form of the scenario method, the factorial survey method also benefits from its ability to provide contextual detail to decision making situations and to evenly distribute these details across all participants in the study (Alexander & Becker, 1978). By asking respondents to read a scenario and put themselves in the context of the scenario’s character, the researcher can establish reliable and valid measures of perceptual dispositions as they relate to various factors and potential outcomes described within the scenario.

Scenario Design

Each scenario described a situation in which a nurse is victimized by an act of hostility by a perpetrator to which the nurse is providing medical care. Within each scenario, the form of hostility and its frequency were manipulated, ranging from a single act to multiple instances of either a) yelling at the nurse, b) intentionally interfering with the completion of the nurse’s work, or c) the throwing of objects near the nurse (see Appendix 1 for the scenario template). After reading each scenario, respondents were asked to provide responses to a series of survey questions, including a two-item manipulation check, a realism check, demographic items, and several items pertaining to the assessment of aggression and bullying described in each scenario, as well as their reaction and recommended sanction for each act of hostility. Also included in the survey instrument were scales to determine perceptions of empowerment, well-being, and communication satisfaction, independent of the hypothetical scenarios.

As several scholars note, scenarios must be designed to maintain relevance and realism with potential respondents (Piquero & Hickman, 1999; Siponen & Vance, 2010). To ensure for realistic scenario design, two controls were embedded into the study. First, as part of a pilot test prior to the survey launch, a panel of experts in research design and instrument development reviewed each scenario and validated the appropriate presence of each independent and control variable. The panel also targeted unrealistic or logically impossible scenarios for removal from the total universe of potential scenarios. Each scenario dimension and the levels under each dimension are shown in Table 1.

<table>
<thead>
<tr>
<th>Table 1: Scenario Dimensions and Levels</th>
</tr>
</thead>
<tbody>
<tr>
<td>DIMENSION</td>
</tr>
<tr>
<td>Perpetrators</td>
</tr>
<tr>
<td>Perpetrator</td>
</tr>
</tbody>
</table>

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Once the initial test was completed, the scenarios were presented to another group of individuals. Individuals read the scenarios and then responded to items to indicate if the scenarios were realistic. Each individual evaluated ten scenarios, indicating the realism on a scale ranging from unrealistic (0) to realistic (10). The scenarios were identified as realistic.

**Instruments**

The survey items that accompanied each scenario presented to the participants were adapted from previously validated instruments where possible. Empowerment was assessed using a 12-item adaptation of Spreitzer's (1995) empowerment measure which includes the four dimensions of meaning, competence, self-determination, and impact, while well-being was assessed using the 12 item measure of well-being developed by Goldberg (1978). Communication satisfaction was assessed via the five item communication climate dimension of the communication satisfaction questionnaire developed by Downs and Hazen (1977). Perception of aggression and perception of bullying were adapted from Howard’s (2011) perception of violence measure.

The sanctioning ratings measure used in this study was drawn from Brown and Sumner (2006). This item can be viewed in Appendix 1. The item measuring reactions was developed from ongoing qualitative research currently being conducted by two of the authors of the present study. In their research, numerous reactions were described by nurses. The reactions fell into one of the five categories presented to participants in the current study. The reactions ranged from doing nothing to reacting in kind, with four intermediate levels of reactions. This item can be viewed in Appendix 1.

**Sample and Procedure**

The data from this study was collected from nurses working in a large hospital in the Southeastern region of the U.S. This sample is representative of nurses employed at hospitals. A total of 1500 nurses were invited via email and written letter to participate in the study, with 104 responses. This represents a 7% response rate. Of those respondents, 68
provided complete and useful responses to each of 10 distinct scenarios and subsequent surveys presented via an online survey tool. Of the respondents, approximately 94% were female, with an average age of 29 years and 11.5 years of experience in the nursing profession. The participants were primarily Caucasian (89%) and held bachelor’s degrees in nursing (66%). Table 2 provides a complete demographic profile of this study’s participants.

Following the modified random design factorial survey approach advocated by Jasso and Rossi (1977), each participant was asked to read and respond to an online survey instrument that contained 10 randomly generated hypothetical scenarios. The scenario template and subsequent items participants were asked to respond to following each scenario can be found in Appendix 1. This approach allows for the obtainment of multiple ratings per scenario, allowing for both respondent-specific and scenario-specific analysis. Although we had 68 participants, the total number of observations is actually 680 because the analysis is conducted at the scenario level and each participant read and responded to 10 different scenarios. However, while this approach is useful in generating a large number of observations from a relatively small number of respondents, repeated measurements from the same individual does require us to account for within-respondent correlation errors in the subsequent regression analyses.

**TABLE 2**

<table>
<thead>
<tr>
<th>Demographic Information</th>
<th>Count</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>4</td>
<td>0.059</td>
</tr>
<tr>
<td>Female</td>
<td>64</td>
<td>0.941</td>
</tr>
<tr>
<td>Race</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asian or Pacific Islander</td>
<td>1</td>
<td>0.015</td>
</tr>
<tr>
<td>African American</td>
<td>4</td>
<td>0.059</td>
</tr>
<tr>
<td>Hispanic American</td>
<td>0</td>
<td>0.000</td>
</tr>
<tr>
<td>Native American or</td>
<td>1</td>
<td>0.015</td>
</tr>
<tr>
<td>Alaskan</td>
<td>61</td>
<td>0.897</td>
</tr>
<tr>
<td>Caucasian</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education in Nursing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diploma</td>
<td>1</td>
<td>0.015</td>
</tr>
<tr>
<td>Associates degree</td>
<td>13</td>
<td>0.191</td>
</tr>
<tr>
<td>Bachelor’s degree</td>
<td>45</td>
<td>0.662</td>
</tr>
<tr>
<td>Master’s degree</td>
<td>8</td>
<td>0.118</td>
</tr>
<tr>
<td>Doctorate</td>
<td>1</td>
<td>0.015</td>
</tr>
</tbody>
</table>

**Data Analysis**

Model estimation followed an approach similar to Lyons (2008) and Paternoster and Simpson (1996) in which a “random effects” model is used to account for unobserved heterogeneity across respondents, a concern of the factorial survey research design. Using a random coefficients linear model, it is possible to simultaneously estimate one equation modeling the effects of scenario variables within respondents and another equation modeling the effects of scenario variables between respondents. Specification of the random intercept models are as follows. For each dependent variable, reaction and sanction rating, the first estimated model (Model 1) includes perceived aggression and perceived bullying, while the second estimated
model (Model 2) adds empowerment, well-being, and communication satisfaction as moderating variables. Additionally, chi-square analysis will be conducted to determine if higher levels of aggressive behavior result in higher sanction ratings.

RESULTS

As indicated in Tables 3 and 4, perceived aggression and perceived bullying are significant positive determinants of both an individual’s reaction and sanctioning ratings resultant from exposure to a described act of hostility by a perpetrator to which a nurse is providing medical care, providing support for hypotheses 1, 2a, and 2c. These results are found in Model 1 estimations for both dependent variables and suggest that perceptions of aggression (β = 0.24; p < 0.001) are stronger than perceptions of bullying (β = 0.17; p < 0.01) in forming reactions to the described hostility, while perceptions of bullying (β = 0.17; p < 0.01) are stronger than perceptions of aggression (β = 0.09; p < 0.01) in forming sanctioning ratings.

TABLE 3

<table>
<thead>
<tr>
<th>Model</th>
<th>Model 1</th>
<th></th>
<th></th>
<th>Model 2</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>β</td>
<td>S.E.</td>
<td>T-Value</td>
<td>β</td>
<td>S.E.</td>
</tr>
<tr>
<td>Dimension and Level</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perceived Aggression</td>
<td>0.234</td>
<td>0.050</td>
<td>4.692***</td>
<td>-0.010</td>
<td>0.270</td>
<td>-0.038</td>
</tr>
<tr>
<td>Perceived Bullying</td>
<td>0.167</td>
<td>0.048</td>
<td>3.453**</td>
<td>0.702</td>
<td>0.287</td>
<td>2.442*</td>
</tr>
<tr>
<td>Empowerment Interactions</td>
<td>0.037</td>
<td>0.878</td>
<td>0.423</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Empowerment x Perceived Aggression</td>
<td></td>
<td>-0.082</td>
<td>0.959</td>
<td>-0.854</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Empowerment x Perceived Bullying</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Well-Being</td>
<td>0.007</td>
<td>0.093</td>
<td>-0.078</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Well-Being x Perceived Aggression</td>
<td></td>
<td>-0.125</td>
<td>0.106</td>
<td>-1.180</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Well-Being x Perceived Bullying</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication Satisfaction (CS)</td>
<td>0.061</td>
<td>0.050</td>
<td>1.209</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CS x Perceived Aggression</td>
<td>-0.039</td>
<td>0.054</td>
<td>-0.727</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CS x Perceived Bullying</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intercept</td>
<td>1.967</td>
<td>0.228</td>
<td>8.596***</td>
<td>1.949</td>
<td>0.225</td>
<td>8.645***</td>
</tr>
<tr>
<td>Observations</td>
<td>N = 680</td>
<td></td>
<td></td>
<td>N = 680</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fit Statistic</td>
<td>AIC = 2116.6</td>
<td></td>
<td></td>
<td>AIC = 2076.2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* p < 0.05
** p < 0.01
*** p < 0.001
Estimates of Model 2 suggest that empowerment and well-being moderate the relationship between perceptions of aggression and perceptions of bullying on sanctioning ratings, providing partial support for hypotheses 3 and 4. Empowerment exhibited a positive moderating influence on perceptions of both aggression (β = 0.14; p < 0.05) and bullying (β = -0.11; p < 0.05) leading to sanctioning ratings. Similarly, well-being was found to have a positive moderating influence on perceptions of both aggression (β = -0.20; p < 0.001) and bullying (β = 0.21; p < 0.001) leading to sanctioning ratings. Communication satisfaction was not found to have a moderating influence for relationships involving either dependent variable, thus hypothesis 5 was not supported. For the dependent variable, reaction, while none of the moderating variables were found to have significant interaction effects, the change of polarity in the relationship between perceived aggression and reaction suggests that the combined presence of empowerment, well-being, and communication satisfaction does have a significant impact on the influence of perceived aggression on reactions to a described act of hostility by a perpetrator to which a nurse is providing medical care.
For both dependent variables, the fit statistic (AIC) for Model 1 establishes an initial level of fit upon which the interaction models (Model 2) should improve. As is evident from Tables 3 and 4, the AIC scores improved with the addition of the three moderating factors. As such, we believe the moderated models are an improvement from the initial models containing only perceived aggression and perceived bullying. Respondent characteristics of gender, age, race, experience in nursing, and education had no significant influence on reaction and sanctioning ratings.

Higher levels of aggressive behavior resulted in more severe sanction ratings, supporting hypothesis 2b. The results provided in Tables 5 and 6 indicate that overt aggression is associated with more severe sanction ratings of those incidents.

**TABLE 5**

<table>
<thead>
<tr>
<th>Aggression</th>
<th>Sanction</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Count</strong></td>
<td></td>
<td>16</td>
<td>78</td>
<td>170</td>
<td>8</td>
<td>0</td>
<td>272</td>
</tr>
<tr>
<td><strong>Expected Count</strong></td>
<td></td>
<td>24.8</td>
<td>68.4</td>
<td>156.8</td>
<td>16.8</td>
<td>5.2</td>
<td>272.0</td>
</tr>
<tr>
<td><strong>% within Aggression</strong></td>
<td></td>
<td>5.9%</td>
<td>28.7%</td>
<td>62.5%</td>
<td>2.9%</td>
<td>.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>Count</strong></td>
<td></td>
<td>30</td>
<td>46</td>
<td>117</td>
<td>9</td>
<td>2</td>
<td>204</td>
</tr>
<tr>
<td><strong>Expected Count</strong></td>
<td></td>
<td>18.6</td>
<td>51.3</td>
<td>117.6</td>
<td>12.6</td>
<td>3.9</td>
<td>204.0</td>
</tr>
<tr>
<td><strong>% within Aggression</strong></td>
<td></td>
<td>14.7%</td>
<td>22.5%</td>
<td>57.4%</td>
<td>4.4%</td>
<td>1.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>Count</strong></td>
<td></td>
<td>16</td>
<td>47</td>
<td>105</td>
<td>25</td>
<td>11</td>
<td>204</td>
</tr>
<tr>
<td><strong>Expected Count</strong></td>
<td></td>
<td>18.6</td>
<td>51.3</td>
<td>117.6</td>
<td>12.6</td>
<td>3.9</td>
<td>204.0</td>
</tr>
<tr>
<td><strong>% within Aggression</strong></td>
<td></td>
<td>7.8%</td>
<td>23.0%</td>
<td>51.5%</td>
<td>12.3%</td>
<td>5.4%</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>62</td>
<td>171</td>
<td>392</td>
<td>42</td>
<td>13</td>
<td>680</td>
</tr>
<tr>
<td><strong>Expected Count</strong></td>
<td></td>
<td>62.0</td>
<td>171.0</td>
<td>392.0</td>
<td>42.0</td>
<td>13.0</td>
<td>680.0</td>
</tr>
<tr>
<td><strong>% within Aggression</strong></td>
<td></td>
<td>9.1%</td>
<td>25.1%</td>
<td>57.6%</td>
<td>6.2%</td>
<td>1.9%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
TABLE 6

Table 6: Chi-Square Results

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>52.085a</td>
<td>8</td>
<td>.000</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>51.024</td>
<td>8</td>
<td>.000</td>
</tr>
<tr>
<td>Linear-by-Linear Association</td>
<td>7.405</td>
<td>1</td>
<td>.007</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>680</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. 2 cells (13.3%) have expected count less than 5. The minimum expected count is 3.90.

DISCUSSION

Aggression and bullying in the workplace continue to be issues that challenge organizations and their leaders. While much research has been conducted to determine the causes and consequences of these types of behaviors, little research has been conducted addressing what employees might do when faced with aggression and bullying on the job. The present study addresses this under-researched area, resulting in several contributions to the discipline.

Our findings suggest that, following exposure to a situation in which there is some form of hostility toward a nurse, an individual’s perceptions of aggression and bullying will influence his or her reaction to the perceived aggression, affecting the severity of the sanctions he or she would like to see imposed on the perpetrator. The determination that the hostility was perceived as an act of aggression was most significant in the formulation of a reaction to the event, while the determination of bullying was found to be the most influential factor in formulating sanctions in response to the hostility. Additionally, higher levels of aggressive behavior lead to more severe sanction ratings, as evidenced by the results presented in Tables 5 and 6. These findings indicate that individuals can distinguish among the different levels of aggression, and that this in turn influences the sanctions that they believe are appropriate in those situations, consistent with prior research (Brown & Sumner, 2006; Howard, 2011).

Drawing from the model 1 findings presented in Tables 3 and 4, it is suggested that when employees perceive a situation as one of aggression, they are likely to react more severely than in situations that are not aggressive in nature. One explanation for this is that employees may perceive this as a personal issue and react in a manner consistent with the original behavior, consistent with past findings (Aquino et al., 2006; Duffy et al., 2002). Another explanation is aggression may be viewed as a one-time incident, and because of this they are more likely to address the issue themselves rather than raise the issue to management.

While perceptions of aggression exerted the strongest influence on employee reactions, perceptions of bullying exerted the most influence on sanctioning ratings, representing another contribution of the present research. Employees may feel comfortable addressing a one-time incident such as aggression, but when incidents are repeated, such as in bullying, employees are more likely to believe that formal sanctions should occur. One potential explanation is tied to the repeated nature of bullying. Bullying is not a one-time incident; it is
a behavior that occurs on multiple occasions (Einersen, 1999; Quine, 2001). An employee, knowing that an individual has acted in the same way multiple times, may believe that attempts to address the individual directly may have failed and that the organization should intervene through its formal processes. Furthermore, employees appear to have strong opinions on how these situations should be addressed by the organization.

Our findings also suggest that perceptions of empowerment, well-being, and communication satisfaction are collectively able to influence the manner in which perceptions of aggression and bullying influence our reactions. While none of these variables exerted a significant influence on employee reactions, their inclusion caused perceptions of aggression to become non-significant and change their direction of influence while perceptions of bullying remained significant. Furthermore, the fit of the model improved. This indicates that these variables influence the relationship between perceptions of aggression and bullying on employee reactions. This suggests that more research is needed examining these relationships in order to determine how these and other variables influence how employees react when they witness or experience aggression and bullying in the workplace.

Another contribution of the present study is that empowerment moderates the relationships between perceived aggression and bullying and sanction ratings. The findings associated with empowerment suggest that it influences the sanctions employees believe the organization should take. Employees who are empowered are believed to feel that they can influence the situation they are facing (Spreitzer, 1995). Furthermore, empowered employees have been found to exhibit the confidence to continue to work effectively in spite of the aggression (Ben-Zur & Yagil, 2005). The present findings extend prior research by suggesting that empowered employees, based on their confidence and belief that they can influence the situation, will also sanction coworkers more severely than the counterparts who are not empowered.

Well-being moderated the relationships between perceived aggression and bullying and sanction ratings. These findings are consistent with previous findings on the influence of well-being on other work-related behaviors, such as job performance (Wright et al., 2007). The present findings suggest that individuals high on well-being are more likely to recommend stronger sanctions. One possible reason for this finding is that well-being may influence individuals in a way similar to empowerment, that these individuals believe that they are in control and can make a difference.

Implications, Limitations, and Future Research

The present study produces several implications for practitioners and researchers. One implication is that employees address aggression and bullying differently. Employees’ perceptions of aggression lead to stronger individual reactions whereas perceptions of bullying lead to stronger sanction ratings by employees. This suggests that employees may believe that they can address aggression themselves, but when bullying occurs stronger action should be taken, resulting in sanctions against the perpetrator. While employees can only recommend or suggest these actions, this should communicate to organizations and researchers that employees believe that organizations should intervene when perpetrators exhibit bullying behaviors.
Another implication is that empowerment moderates the relationship between perceptions of aggression and bullying and the sanction ratings given by witnesses to these events. This demonstrates that organizations should empower their employees, as they are more likely to recognize aggression and bullying and potentially bring the issue to the organization’s attention. This should be a desired behavior in organizations, as there may be numerous costs tied to aggression and bullying in the workplace, including decreased morale, lower work performance, and potentially more absenteeism and turnover.

A third implication is that well-being moderates the relationship between perceptions of aggression and bullying and the sanctions ratings assigned. Consistent with prior research, well-being moderates the relationship between one’s perception about a situation and their subsequent work-related behaviors (e.g., Wright et al., 2007). This suggests that well-being operates in a manner where individuals with higher levels of well-being are more likely to give higher sanction ratings when observing aggression and bullying in the workplace.

The primary limitation of the present research concerns the sample. The sample consists of staff nurses who interact with the full range of individuals within a hospital setting. The majority of the respondents are female, consistent with the population in the occupation. However, not all occupations are as dominated by female employees as is the occupation that was sampled. Furthermore, not all organizations interact with the public to the extent as a hospital.

Future research should address several key issues. First, it should attempt to determine from an employee’s perspective when aggression becomes bullying. Determining when, based on the frequency, will allow researchers to better understand how employees process this information and why they handle the situations in the manner in which they do. This research should also result in practical benefits for organizations. It will assist when organizations develop or revise policies, because understanding what employees perceive and how they behave can help organizations develop realistic means of addressing aggression and bullying in the workplace. Given this, knowing when aggression crosses the line to bullying should be examined through additional research.

Finally, further examination of the influences of moderators should be conducted. While there were three moderators examined in the present model, there are certainly many others that could be examined, such as the presence or absence of organizational policies and the unemployment rate. This can assist researchers and practitioners in understanding if policies facilitate employees to take appropriate actions when faced with aggressive coworkers or fellow employees who bully others. Furthermore, if there are few job opportunities other than the one an employee currently has, does this reduce the likelihood of bringing to light these unacceptable workplace behaviors? Examining these relationships can assist researchers in understanding how employees behave in these situations, which can provide assistance to practitioners to take the actions to encourage employees to stand up to these types of behaviors when they occur.

CONCLUSION
The present study extends prior research a number of ways. It identifies that employees may be more likely to address aggression directly and may be more prone to recommend more severe sanctions when facing incidents of bullying. Empowerment was found to influence the sanction ratings given by employees examining aggressive and bullying situations. Additional research is needed to better understand what influences employees when reacting to aggressive and bullying situations, as well as the recommendations they make about appropriate sanctions.

APPENDIX 1

Scenario Instructions
Please read the following ten scenarios and think about each one carefully. After each scenario is presented, you will be presented with several questions to answer. Your answers are totally anonymous. (Please note that items in parentheses represent variables manipulated in the scenario. See Table 1 for the options for each of these categories.)

At work you notice a (race) (gender) (perpetrator category) with (experience) of experience (frequency) (aggression action) a nurse who is your (nurse in scenario, one of the two options). The nurse is a (race) (gender), who is (age) years old with (experience) of experience.

In referring to the scenario above, please respond to the following questions.

1. The scenario is representative of aggression.  
   SD  D  N  A  SA
   1  2  3  4  5

2. The scenario is representative of aggression.
   Yes  No
   SD  D  N  A  SA

3. The scenario is representative of bullying.
   1  2  3  4  5

4. The scenario is representative of bullying.
   Yes  No

5. If faced with the situation described above, I would most likely (select one):
   a. be silent and ignore the situation.
   b. avoid the perpetrator in the situation.
   c. try to calm the perpetrator down.
   d. confront the perpetrator, bringing to their attention that they are not acting professionally.
   e. document the incident and escalate it to higher management.
   f. react in kind.

6. Based on the scenario, if I were the manager I would take the following action:
   a. Do nothing
   b. Informally discuss the incident with the perpetrator
   c. Formally discuss the incident with the perpetrator
   d. Formally sanction the perpetrator by transferring him/her from the work area
   e. Terminate the perpetrator
REFERENCES


WHEN GOING BEYOND IS FALLING SHORT: THE CURVILINEAR EFFECT OF CORE SELF-EVALUATIONS ON WORK GROUP ACCEPTANCE

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ABSTRACT

This study examines the link between individuals’ core self-evaluations (CSEs) and feelings of social acceptance. Building on prior work suggesting a dark side of CSE (Judge, Piccolo, & Kosalka, 2009), we posit that the CSE has an inverted-U shaped relationship with employee feelings of acceptance. However, we argue this relationship is contingent upon an individual’s conscientious citizenship. Based on responses from 165 employee-supervisor dyads in China, we find that CSE generally displays a positive relationship with acceptance, although extremely high levels of CSE result in deleterious effects. Moreover, moderator analysis reveals that conscientious citizenship alters this relationship, such that the curvilinear effect is exacerbated when individuals display fewer citizenship behaviors. Implications are discussed.

Keywords: Core self-evaluation, Social acceptance, Conscientious citizenship behaviors

Organizational scholars have historically been interested in, and continue to examine, the antecedents, processes, and consequences surrounding the development and management of relationships in conjunction with the work group (Blader & Tyler, 2009; Richter, West, van Dick, & Dawson, 2006; Milton & Westphal, 2005), the work team (Fiol & O’Connor, 2005; Bunderson, 2003; Harrison, Price, Gavin, & Florey, 2002; Marks, Mathieu, & Zaccaro, 2001), and the work organization as a whole (Walker, Field, Giles, Bernerth, & Short, 2011; Richter et al., 2006; Walsh, 1995; Wood & Bandura, 1989). Successfully building and maintaining relational ties is an uncertain process whereby individuals must rely on social cues from other individuals and the surrounding environment to develop their own perceptions of the relationship (Ibarra & Andrews, 1993; Gioia, 1992; Schneider, 1987; Salancik & Pfeffer, 1978). One particularly important perceptual component in this process is one’s perceived acceptance to, or sense of belonging with, his or her work group and organization (Bacharach, Bamberger, & Vashdi, 2005; Reagans & McEvily, 2003; Ibarra & Andrews, 1993). Indeed, past work suggests that an individual’s feeling of acceptance is an important metric for gauging relationships and, by extension, heightened feelings of acceptance are likely to predict positive outcomes such as enhanced organizational attachment (Meyer & Allen, 1997; Miller, 1980), more positive work-related perceptions (Ibarra & Andrew, 1993), and increased work accomplishments (Davenport & Daellenbach, 2011; Mehra, Kilduff, & Brass, 1998; Ibarra & Andrew, 1993). Thus, understanding the predictors and contingencies that influence one’s feeling of acceptance with other individuals in the organizational setting remains an important endeavor.

Generally speaking, an individual’s sense of acceptance capture’s an individual’s belief that he or she is a part of something bigger than him or herself (e.g., an organization, a collection of supervisors and coworkers), and consists of an established shared identity within the surrounding environment (Kestenberg & Kestenberg, 1988). Perceived acceptance evokes more than just an emotional response; acceptance is a decisive factor in determining whether
people are active, effortful, and ongoing members of a group (Blader & Tyler, 2009; Marcus & Sanders-Reio 2001; Meyer & Allen 1997). Acceptance is distinct from, albeit potentially related to, the construct of popularity in that it is based on an individual’s subjective self-evaluation rather than others’ objective ratings of that individual’s group status. That is, everyone in a group or organization has his or her own unique perception of acceptance among colleagues. For the purposes of this paper, acceptance is conceptualized as the extent to which an individual feels valued and accepted by his/her work group. Essentially, acceptance reflects one’s insider status within a work group.

Based on person–situation perspectives of behavior (Mischel & Shoda, 1998), we argue that an employee’s traits and behavioral inclinations within an organization play critical roles in shaping feelings of acceptance. Specifically, we propose a new theoretical model highlighting the interactional relationship between an employee’s core self-evaluation and his/her tendency to engage in conscientiousness citizenship to better predict their feeling of acceptance within the work group. Core self-evaluation (CSE; Judge, Locke, & Durham, 1997) is a higher-order dispositional trait that consists of four lower-order components: (1) an individual’s self-esteem, (2) general self-efficacy, (3) locus of control, and (4) emotional stability (Judge & Bono, 2001; Judge et al., 1997). Generally regarded as a person’s “positive self-concept”, CSE is considered one of the most potent “dispositional predictors of job satisfaction and performance” (Judge & Bono, 2001: 80) and has a number of potential theoretical links to an individual’s sense of acceptance. Indeed, although we argue for a generally positive main effect between CSE and feelings of acceptance, we also explore a potentially troublesome phenomenon. This phenomenon, which captures the “dark side” of CSE, suggests that person’s with too positive self-concepts (i.e., extremely high CSE) may actually struggle with acceptance. Thus, our curvilinear argument follows the popular Chinese adage: “Going beyond the limit is as bad as falling short.”

Given that the relationship between CSE and feelings of acceptance may not be entirely straightforward, we also explore a potentially important contingency: conscientious citizenship behaviors. At the trait level, conscientiousness reflects hard-working and dependable qualities (Barrick & Mount, 1991), and is linked to several positive job outcomes (e.g., Colquitt & Simmering, 1998; Farh, Zhong, & Organ, 2004; Konovsky & Organ 1996; Mount, Barrick, & Stewart, 1998). For instance, Mount and colleagues (1998) meta-analytically concluded that conscientiousness was connected to job performance across all categories of jobs. Furthermore, conscientiousness is thought to elicit self-regulatory processes that link to the underlying components of CSE (i.e., self-efficacy, self-esteem, locus of control, and emotional stability; Lanaj, Chang, & Johnson, 2012). One particularly important expression of conscientiousness in the work group is an individual’s penchant to engage in discretionary behaviors that connote the positive attributes of personal industry, obedience, and dependability (Farh et al., 2004). Given that conscientious citizenship behaviors, even more so than underlying conscientious traits, are likely what shapes group members’ reactions to their coworker, we expect that an individual’s engagement in conscientious actions will moderate the relationship between their core self-evaluation and their feelings of acceptance.

In sum, our paper makes several noteworthy contributions to the literature. First, we provide an examination of the relationship between one’s self-perception (e.g., CSE) and his or her feelings of acceptance in a work group. In doing so, we add to the growing literature highlighting the positive links between a positive self-concept and important organizational outcomes. Second, we theorize and empirically support the notion that too much CSE can actually have diminishing or even deleterious effects on one’s feelings of acceptance. In doing
so, we uncover a possible “dark side” to conventional thoughts on CSE. Finally, we show an important contingency variable – conscientious citizenship – may mitigate the curvilinear relationship between CSE and acceptance, such that higher levels of citizenship can soften the dark side of CSE.

THEORY AND HYPOTHESES

Core Self-Evaluations (CSE) and Acceptance

Judge and colleagues (1998) describe core self-evaluations as “fundamental, subconscious conclusions individuals reach about themselves, other people, and the world” (Judge et al., 1998: 18). Because CSEs capture holistic evaluations beyond one single facet, the concept overlaps with and subsumes several other commonly studied dispositional variables, including generalized self-efficacy, self-esteem, emotional stability, and locus of control (Judge et al., 1998). Although each sub-facet has independently been used to describe and measure one’s perceptions of their self-worth, capability, and competence as it relates to perceived functioning in his or her environment (Judge, Erez, & Bono, 1998; Judge et al., 1997), CSE captures a more general self-concept and is argued to be more useful in certain research contexts since it captures the fundamental evaluations that both underlie and subsume other midrange traits and self-schemas (Judge et al., 1998). Indeed, research indicates that CSE is one of the most potent dispositional predictors of vital work outcomes, including job performance and satisfaction (Judge & Bono, 2001). Since the introduction of CSE to the literature, it has continually captured the attention of numerous scholars for its predictive validity of an extensive variety of organizational outcomes (e.g., Judge, Locke, Durham, & Kluger, 1998; Judge & Bono, 2001; Rich, LePine, & Crawford, 2010; Scott & Judge, 2009; Judge, Bono, Erez, & Locke, 2005). In fact, meta-analytic results have concluded that CSE has a positive linear relationship with life satisfaction (ρ =.54; Chang et al., 2012), affective organizational commitment (ρ = .30; Johnson, Chang, & Yang, 2010; Chang et al., 2012), job satisfaction (ρ =.36), difficulty of goals set (ρ = .22), and citizenship behaviors (ρ =.23; Chang et al., 2012); CSE was negatively associated with an employee’s intention to leave the organization (ρ = -.26), continuing organizational commitment (ρ = -.22), and deviant work behaviors (ρ = -.17; Chang et al., 2012).

Although past work has noted many positive links between an individual’s CSE and important work outcomes, little is known regarding how one’s positive self-concept influences feelings of acceptance in a group. Acceptance refers broadly to an individual’s sense of belonging (Hagerty et al., 1992), a gestalt feeling that he or she is part of a larger purpose connected to a group of people or organization holding a shared identity (Kestenberg & Kestenberg, 1988). More formally, we define acceptance here as one’s feeling of being valued and accepted within their work group. We believe past research lends ample evidence suggesting that the examination of the relationship between CSE and feelings of acceptance is a noteworthy endeavor. In particular, prior work has shown that acceptance is positively connected to work perceptions (Ibarra & Andrew, 1993), work accomplishments (Davenport & Daellenbach, 2011; Mehra, Kilduff, & Brass, 1998; Ibarra & Andrew, 1993), and organizational attachment (Meyer & Allen, 1997; Miller, 1980). Further, research has also shown that the degree of perceived acceptance from others in a group or organization is positively correlated with purposeful activity, motivation and effort, and continuing group membership (Blader & Tyler, 2009; Marcus & Sanders-Reio, 2001; Meyer & Allen 1997). Thus, examining the link between CSE and feelings of acceptance may provide an initial step
into better understanding how and why positive self-concept influences so many commonly studied variables.

There are several reasons why CSE would be expected to positively correlate with coworker and overall organizational acceptance towards an employee. First, an individual with a high core self-evaluation is pictured as “well adjusted, positive, self-confident,” and “efficacious” (Judge, Erez, Bono, & Thoreson, 2003: 304), all factors that could have a pleasing effect on coworkers’ responses to that individual. These positive responses from work group members, in turn, would serve as feedback cues that help individuals construct feelings of whether they are accepted in their work group. Related, previous research argues that some components of CSE (e.g. self-efficacy) may predict how individuals respond to or cope with cues from others (Bandura, 1977; Stajkovic & Luthans, 1998), such that those with more positive self-concepts will perceive a more favorable situation than those with less efficacious evaluations. Second, since a higher CSE rating is likely to capture beneficial levels of emotional stability and self-esteem, an individual with a high CSE is likely to exhibit greater interpersonal skills such as general friendliness (Tharenou, 1979) and lower levels of anxiety and hostility (Watson, 2000) than an individual low in CSE. Finally, meta-analytic outcomes have demonstrated empirical links between CSE and constructs that have conceptual relations to acceptance, including feelings of social support from a group and the quantity/quality of social ties in a group (Chiu, Wu, Zhuang, & Hsu, 2009; Johnson et al., 2003). Taking these prior findings into account, it is reasonable to expect that CSE will have a sporting linear relationship with feelings of acceptance.

Although CSE has been connected to many positive outcomes (see examples above), researchers have posited and empirically revealed that extremely high CSE can be associated with negative outcomes. For instance, Judge, Piccolo, and Kosalka (2009) postulated the presence of a dark side by delineating how hyper-CSE (Hiller & Hambrick, 2005) could lead to adverse effects akin to hubris and narcissism. More specifically, they identified that hyper-CSE is related to self-love and overconfidence, two constructs that adversely influence decision-making by way of placing one’s self-interests over the collective interests of the group (Judge et al., 2009). Furthermore, research indicates that higher levels of CSE are negatively correlated with organizational commitment (\(\rho = -.22\)), which again may result in high CSE employees compromising the well-being of their work group (Chang et al., 2012:91). Recognizing CSE’s dark-side potential, we attempt to assess the manner in which hyper-CSE influences an employee’s perceived acceptance by organizational insiders, such as coworkers, work groups, and the organization as a whole.

To begin, exceedingly positive self-concepts have been construed as near-narcissistic traits (Judge, LePine, & Rich, 2006; Judge et al., 2009), which could translate into unfounded hyper-confidence (Judge, LePine, & Rich, 2006) and perceptions of superiority in various facets of their work (John & Robins, 1994). Second, and perhaps more salient to our examination of work group acceptance, narcissism tends to be negatively correlated with relational variables (e.g., intimacy; Carroll, 1987) and positively associated with a willingness to exploit others for individual gain (Campbell, Bush, Brunell, & Shelton, 2005). Third, those with higher levels of CSE may be perceived by work group members as impression managers rather than actual (Buss & Chiodo, 1991). Therefore, if hyper-CSE evokes similar reactions from coworkers as narcissism, high CSE individuals may possess damaged reputations that hinder social interactions and mutual trust with their group members.

Building on the arguments above, we propose that employees with extremely high levels of CSE may actually feel less accepted than those with only moderately strong self-evaluations.
Thus, despite the many positive attributes of CSE, we posit that CSE presents a “too much of a good thing” conundrum in relation to social acceptance. Therefore, we hypothesize the following:

**Hypothesis 1.** There is an inverted U-shaped relationship between CSE and sense of acceptance, such that when CSE becomes too high, one’s sense of acceptance in the work group will diminish.

**The Moderating Effect of Conscientiousness**

Conscientiousness, as a trait, is regarded as the extent to which individuals are goal directed, persistent, dependable, and organized (Barrick & Mount, 2005; Costa & McCrae, 1992). Conscientiousness contains such elements as self-discipline, thoroughness, carefulness, deliberation, organization, and need for achievement. Conscientious employees are generally hard working, motivated, reliable, organized, and compliant to societal and social decorum (Hollenbeck, Klein, O’Leary, & Wright, 1989; Hollenbeck, Williams, & Klein, 1989; Jackson, 1974; Singh, 1972; Steers, 1975; Costa & McCrae, 1992; Jackson et al., 2010). Furthermore, conscientious individuals are polite in most interpersonal interactions, detail-oriented (Costa & McCrae, 1992; Hogan & J. Hogan, 2001) and cooperative in team contexts (LePine & Van Dyne, 2001). While CSE concentrates on employees’ self-judgments, conscientiousness focuses more on an employee’s devotion to others (Grant & Schwartz, 2011). Consistent with this notion, research indicates that trait conscientiousness has a significant positive linear relationship with organizational citizenship behaviors (OCB; Bukhari, 2008).

Although trait conscientiousness has demonstrated many relationships with positive work outcomes, it likely serves as a distal motivating mechanism for the state manifestations, or day-to-day behaviors, that actually produce the positive effects. One particularly meaningful external expression of this trait is captured within conscientious citizenship behaviors (Farth, et al, 2004). Conscientious citizenship behaviors are actions that bring conscientiousness facets such as industriousness, reliability, orderliness, and conventionality to life (Jackson et al, 2010; Farth, et al, 2004) and provide a tangible illustration of an individual’s level of conscientiousness to coworkers and supervisors in the organizational setting. Some examples of conscientious citizenship behaviors include arriving promptly to work and scheduled meetings, presenting a professional appearance, being prepared and organized, volunteering to help coworkers on their work projects, showing respect through the use of verbal and nonverbal communication, and engaging in socially acceptable work behaviors (Jackson et al, 2010). In sum, we argue that conscientious citizenship is more salient to feelings of acceptance because underlying personality traits may not be expressly known by one’s group members. In essence, coworkers are paying attention to the behavioral element of the individual.

There are a number of reasons that we predict the curvilinear relationship between CSE and acceptance as bounded or moderated by conscientious citizenship behaviors. First, conscientious citizenship is generally focused on relational aspects, which likely has a positive influence on coworker reactions to an individual. Second, and of particular importance to our arguments above, conscientious citizenship behaviors may serve as a fulcrum in determining whether coworkers perceive a high CSE group member as narcissistic vs. a healthy self-view. That is, expanding Judge et al.’s (2009) argument that the space between hyper-CSE and narcissism is often blurry, we argue that an individual’s tendency to engage in conscientious citizenship behaviors may provide a lens for distinguishing the two. Thus, we predict:

**Hypothesis 2.** Conscientious citizenship behavior moderates the effect of CSE on
acceptance such that the relationship will be positive and linear when employees engage in high levels of conscientious citizenship behaviors, whereas the relationship will be a strengthened curvilinear (inverted U) relation when employees engage in low levels of conscientious citizenship behaviors.

METHOD

Sample and Procedures
We distributed surveys to 200 dyad Chinese employees and their respective supervisors from 30 different firms. The firms represented numerous industries: finance, transportation, manufacturing, sales, information technology, mining, construction, and imports/exports. We originally received 171 completed surveys, but after analyzing the answers provided, we discarded six surveys due to obviously poor quality responses², resulting in a final sample of 165 surveys (85.5% response rate). Of the respondents that completed the surveys, 61.8% were male and 38.2% were female. Moreover, 67.3% were under the age of 30, 27.9% were between the ages of 31 and 40, and 4.8% were over the age of 40. Also, 55.8% reported that they had less than three years of work experience, 38.8% had three to 10 years of work experience, and 5.5% reported having more than 10 years of work experience. 1.2% of our respondents had high school diplomas or less, 12.7% had technical school or junior college degrees, 60% had undergraduate degrees, and 31.1% had post graduate degrees. Respondents held a variety of positions within their respective firms. For example, 1.9% of our respondents were executives, 12.3% were middle-level managers, and 85.8% were lower-level employees.

All surveys were completed during regular working hours. Each employee completed a survey that measured their individual CSE, perceived social acceptance, and other control variables. In an attempt to reduce common method concerns, each employee’s direct supervisor completed a survey that measured the employee’s conscientiousness citizenship. Supporting our arguments that conscientious citizenship behaviors rated by a second-party might be more useful than self-reported trait conscientiousness, recent work concluded that the operational validities of observer ratings are superior to self-report ratings when measuring the Big Five personality traits (Oh, Wang, & Mount, 2011). To improve data quality, we trained each firm’s HR department in the distribution and collection of surveys to ensure anonymity in the responses received.

Measures
All constructs were measured with multi-item scales. All items were assessed on a 1 to 7 Likert-type scale (1 = "strongly disagree" and 7 = "strongly agree"). Scores for each measure were mean-calculated across items. The scales for CSE, conscientiousness and acceptance were originally in English, but an academic who is bilingual in Mandarin and English translated these measures into Mandarin Chinese following Brislin’s (1986) method of back-translation.

Core self-evaluation. We used Judge, Erez, Bono, & Thoresen’s (2003) 11-item scale for core self-evaluation ($\alpha = .78$). Sample items included: “I am confident I get the success I deserve in life,” “Sometimes I feel depressed,” and “When I try, I generally succeed.” This variable was self-evaluated by each employee.

Conscientious Citizenship Behaviors. We used a four-item scale to measure employee conscientiousness ($\alpha = .80$; Farh et al., 2004). Sample items included: “Willing to work

² Discarded responses displayed very little item variance and extremely inconsistent ratings on reverse-coded items. It was our interpretation that these respondents did not actually read the survey items.
overtime without extra reward” and “Work overtime until the completion of one’s tasks.” This variable was evaluated by each employee’s supervisor.

**Acceptance.** We used a three-item scale to measure acceptance (α = .78; Ibarra & Andrews, 1993). Sample items included: “I feel accepted here” and “I often feel like an outsider in this company.” This variable was self-evaluated by each employee.

**Control Variables.** In order to control for potential confounding variables, we collected each employee’s gender, age, education, organizational industry, and amount of work experience.

**RESULTS**

**Data Aggregation Test**

Our dyadic data had multiple subordinates to each supervisor, thus we checked the within group and between group variance to assess whether it was appropriate to aggregate our outcome variable to the group level (i.e., acceptance). We calculated ICC(1) and ICC(2) statistics to assess the degree of within-group clustering. Whereas ICC(1) values should be statistically different from zero (Bliese, 2000), Glick (1985) suggested that ICC(2) values over .60 are desirable. The ICC(1) value in this study was .06 for acceptance (F = 0.94, p > 0.05). The ICC(2) value for acceptance was .10, which is not above the proposed cutoff to justify aggregation, thus our analyses do not support the aggregation of our variables to the group level.

**Confirmatory Factor Analysis**

We conducted confirmatory factor analyses (CFA) in LISREL (Jöreskog & Sörbom, 1993) to ensure discriminative validity among our measures. We built a three-factor baseline model, in which CSE, conscientiousness and acceptance were separate factors (M₀). Then we compared the baseline model with two alternative models. The first was a two-factor model with “CSE and conscientiousness” as one factor and acceptance as the second factor (M₁). The second was another two-factor model with “conscientiousness and acceptance” as one factor and CSE as the second factor (M₂). Because our indicator-to-sample-size ratio was lower than the recommended threshold (Marsh, Balla, & McDonald, 1988), which may have influence on the model fit indices, we focused on examining whether our hypothesized model displays conscientiousness’s moderating effects between CSE and acceptance. Table 1 displays that our initial three-factor model had acceptable fit to the data (χ² (149, N=165) = 271.28; CFI = .91; RMSEA = .072) and displayed better relative fit compared to the alternative models, supporting the discriminative validity of main variables of our study (Hu & Bentler, 1996).

<table>
<thead>
<tr>
<th>Table 1. Confirmatory factor analyses of main measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model Descriptions</td>
</tr>
<tr>
<td>---------------------</td>
</tr>
<tr>
<td>Baseline model (three factor model): CSE, conscientiousness and acceptance are separate factors (M₀)</td>
</tr>
<tr>
<td>Two factor model: “CSE and conscientiousness” and acceptance are separate factors (M₁)</td>
</tr>
<tr>
<td>Two factor model: CSE and “conscientiousness and acceptance” are separate factors (M₂)</td>
</tr>
</tbody>
</table>

**p<0.001, N=162**
Hypotheses Test

All sample means, standard deviations, and correlations for the variables are reported in Table 2. As displayed, we found a strong correlation between CSE and acceptance ($r = .47$, $p < 0.001$), while neither of the other variables were significantly correlated.

Table 2. Descriptive statistics and correlations (N=165)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>s.d.</th>
<th>1</th>
<th>2</th>
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</thead>
<tbody>
<tr>
<td>1. CSE</td>
<td>4.86</td>
<td>.69</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. acceptance</td>
<td>5.25</td>
<td>.99</td>
<td>.47***</td>
<td></td>
</tr>
<tr>
<td>3. conscientiousness</td>
<td>4.95</td>
<td>1.07</td>
<td>.24</td>
<td>.17</td>
</tr>
</tbody>
</table>

***p<0.001

We used hierarchical polynomial regression analyses to test our proposed hypotheses. To avoid problems associated with multicollinearity between measures, we standardized the values of our two predictor variables (i.e., CSE and conscientiousness) for all regression functions (Aiken & West, 1991). To conduct the regression analyses of our hypotheses we, first, inputted our control variables into step one of the regression function. Second, we inputted CSE into step two of the function. Third, we inputted CSE-squared into step three of the function. Finally, we inputted conscientiousness, conscientiousness×CSE, conscientiousness×CSE-squared into step four of the function.

The polynomial regression model is as follows,

$$ Y = B_0 + B_1 X + B_2 X^2 + B_3 M + B_4 M X + B_5 MX^2 + \epsilon, \quad (1) $$

The inflection point occurs at the following value of the predictor $x$ (Weisberg, 2005):

$$ X_{\text{inflection}} = -B_1 / 2B_2, \quad (2) $$

As such, the inflection point of the function depends on the values of $B_1$, the regression coefficient of CSE, and $B_2$, the regression coefficient of the quadratic term of the CSE.

When we put conscientiousness into the function (Step 4) the model was converted to look as follows:

$$ y = B_0 + B_1 X + B_2 X^2 + B_3 M + B_4 M X + B_5 M X^2 + \epsilon, \quad (3) $$

$$ X = \text{CSE and } M = \text{conscientiousness}. $$

Accordingly, the model in Equation 3 can be calculated by the following:

$$ X_{\text{inflection}} = -(B_1 + B_4 M) / 2 (B_2 + B_5 M) = -B_1 / 2B_2. \quad (4) $$

Table 3 shows our findings with regards to the relationship between CSE and acceptance. According to Table 3, the quadratic effect of CSE in Step 3 of the regression model predicting acceptance is statistically significant ($\beta = -0.08$, $p < 0.05$). The signs of the quadratic effect were negative for acceptance, displaying that the relationship resembles an inverted-U shape in which the inflection point is 2.68 SD (see Table 4). Therefore, we conclude that an increase in CSE will initially lead to enhanced acceptance, but the relationship becomes weaker and eventually disappears at extremely high levels of CSE, supporting Hypothesis 1 (see Figure 1).

Table 3. Relationships between CSE and acceptance as moderated by conscientious

OCB

DV= Acceptance
Step 1  Step 2  Step 3  Step 4

<table>
<thead>
<tr>
<th></th>
<th>B</th>
<th>β</th>
<th>B</th>
<th>β</th>
<th>B</th>
<th>β</th>
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<tr>
<td>intercept</td>
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<td>-0.01</td>
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<td>CSE</td>
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<td>.47</td>
<td>.47***</td>
<td>.44</td>
<td>.41***</td>
<td>.44</td>
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<td>.44</td>
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<tr>
<td>CSE-quadratic effect</td>
<td>-0.08*</td>
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<td>-0.08*</td>
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<td>conscientiousness</td>
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<td>conscientiousnessxCSE</td>
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<td>-0.07</td>
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<td>conscientiousnessxCSE-quadratic effect</td>
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<td>.08*</td>
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<tr>
<td>R²</td>
<td>0.07</td>
<td>0.28</td>
<td>0.30</td>
<td>0.30</td>
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<td>0.30</td>
<td>0.30</td>
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<tr>
<td>ΔR²</td>
<td>0.07</td>
<td>0.21***</td>
<td>0.02*</td>
<td>0.06*</td>
<td>0.06*</td>
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<td>0.06*</td>
<td>0.06*</td>
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Note. N=165. CSE=Core Self-Evaluation; *p<0.05, **p<0.01, ***p<0.001
polynomial regression models showing the relationships between CSE (in standardized scores) and acceptance for low-conscientious and high-conscientiousness (in standardized scores). Table 4 (the second and third rows) presents the regression coefficients for the two models and the corresponding inflection points. As displayed, in the presence of low conscientiousness the relationship between CSE and acceptance continues to be curvilinear with an inflection point at 1.50 SD above the mean. Whereas, in the presence of high conscientiousness the relationship between CSE and acceptance becomes linear, in that there is no longer an inflection point (∞ above the mean). Therefore, we statistically found support for the moderating effect of conscientiousness and CSE on acceptance. For further interpretation, Figure 1 illustrates the difference between the effects of low- and high-conscientiousness on the focal relationship.

Table 4. Moderating effects of conscientiousness on the relationships between CSE and acceptance

<table>
<thead>
<tr>
<th>CSE-acceptance</th>
<th>Intercept(B₀)</th>
<th>Linear (B₁)</th>
<th>Linear (B₂)</th>
<th>Zinflection=-B₁/2B₂</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conscientiousness (M=0)</td>
<td>6.11</td>
<td>0.43</td>
<td>-0.08</td>
<td>2.68 SD</td>
</tr>
<tr>
<td>Low-conscientiousness (M=-1SD)</td>
<td>5.97</td>
<td>0.48</td>
<td>-0.16*</td>
<td>1.50 SD</td>
</tr>
<tr>
<td>High-conscientiousness (M=+1SD)</td>
<td>6.05</td>
<td>0.34</td>
<td>0</td>
<td>∞</td>
</tr>
</tbody>
</table>

Note. Z_{inflection}=standardized score on the CSE scale corresponding to the inflection point of the curve reflecting the relation between CSE and acceptance. That is, the relation between CSE and acceptance starts changing direction (or reaching asymptotic point) at this score. CSE=Core Self-Evaluation.

*p<0.05

By analyzing the data in Tables 3 and 4 along with Figure 2, we see that when conscientiousness is high (Mean + 1 SD), the inverted U curve is converted into a positive linear relationship, while when conscientiousness is low (Mean - 1 SD), the inverted U curve retains its curvature. In fact, when conscientiousness is low, the curvature of the inverted U is strengthened, such that the inflection point in the relationship is depicted at 1.50 standard deviations above the mean of CSE, which is much lower than the inflection point (2.68 SD) displayed when conscientiousness is given a mean value of zero (allowing us to see the inflection point in the direct relationship without a moderator; table 4, first row). Moreover, as displayed in Figure 1, when conscientiousness is high (Mean+1SD), the inflection point (∞) could not be depicted inside CSE right endpoint. Overall, our findings fully support Hypothesis 2.
Figure 2. Relationship between CSE and acceptance on different level of conscientiousness

DISCUSSION

Building on the expansive literature noting the positive effects of CSE on important work outcomes (e.g., Judge et al., 1998; Judge & Bono, 2001; Rich et al., 2010; Scott & Judge, 2009), we sought to shed light on an overlooked – albeit potentially critical – outcome: social acceptance in the workgroup. We believe this was a noteworthy endeavor because feelings of acceptance capture the relational nature of work and have ties to important outcomes like attachment (Meyer & Allen, 1997; Miller, 1980) and group engagement (Blader & Tyler, 2009). Given that an increasing amount of organizations are adopting team-based work arrangements which rely more on interdependent contributions (Hills, 2007; Kozlowski & Bell, 2003; Lawler, Mohrman, & Ledford, 1995), our study takes an important step beyond those that examine the relationship between traits and individual-level performance indicators.

In addition to shedding light on the relationship between CSE and feelings of social acceptance, we drew on previous arguments suggesting that even “bright traits” (e.g., CSE) may have a dark side (Judge et al., 2009: 857). In doing so, we hypothesized that CSE would display a curvilinear (inverted-U) relationship with acceptance. Consistent with the arguments that hyper-CSE may display effects similar to narcissism and hubris (Judge et al., 2009), our results supported this hypothesis. Thus, before considering relevant boundary conditions, results from our study show that, in most cases, CSE has a positive relationship with feelings of acceptance. However, when CSE becomes too high, individuals struggle to belong.

Moving beyond this hypothesis, we were inspired by the question of what factor(s) might influence whether high ratings of CSE matched with a sincere self-representation or instead captured over-inflated, narcissist-type characteristics. In particular, we hypothesized that an employee’s tendency to engage in conscientious citizenship behaviors at work would moderate the relationship between CSE and acceptance. Indeed, using supervisor ratings of
conscientious citizenship, we found that the relationship between CSE and acceptance was positive and linear (not curvilinear) when conscientious citizenship was high, but the curvilinear effect was exacerbated when conscientious citizenship was low.

Implications

There are a number of implications inherent to the current study. From a research perspective, our findings support and expand several views on CSE. In support of prior work, our study shows that employees with more positive self-concepts, in general, tend to experience a greater sense of acceptance, or belongingness, in their work group. Because our study examines social acceptance as an outcome rather than more traditional outcomes (job performance OCB, etc.), our results expand the domain of CSE research to better capture the relational aspects of work life.

Perhaps even more important than the generally positive relationship between CSE and social acceptance, our current research adds new fodder to the increasingly hot topic of TMGT effects (too-much-of-a-good-thing-effect) in management and related psychological fields (Grant & Schwartz, 2011; Pierce & Aguinis, 2011) and lends evidence in support of CSE’s dark side (Judge, LePine, & Rich, 2006; Judge et al., 2009). The finding of a curvilinear relationship has a number of important implications for academics and practitioners alike. From an academic perspective, researchers must be more careful in distinguishing between linear and curvilinear effects. As Judge et al. (2009) suggest, higher ratings of traditional positive constructs may offer a subtle resemblance to more sinister traits (i.e., hubris, narcissism). Further, a number of methodological issues complicate the issue. For instance, some respondents may have leniency bias when responding to Likert-type scales, which may inflate their ratings of CSE. Others, however, may have a different orientation, meaning their use of the scale’s upper limits is meaningful for detecting dark side effects. Clearly, this is a complex issue that requires much more research.

From the practitioner point of view, a number of equally tricky implications exist. For example, HR managers may be faced with negotiating difficult trade-offs when selecting employees. Should HR managers steer clear of candidates with ratings that are too strong? How should employees with potentially “dangerous” levels of positive self-concepts be integrated into work groups? Our findings suggest that other metrics (e.g., conscientiousness) can be combined with variables like CSE to reduce the impact/risk of curvilinear effects. Training may play an important role in harnessing hyper-CSE employees. Finally, compensation systems and managers that acknowledge contextual performance (e.g., OCB) as well as task performance may also be vital for extracting the positive while avoiding the negative.

Limitations and Future Directions

Although our study offers a number of interesting and potentially insightful implications, it is not without limitations. One such limitation lies in our decision to examine acceptance as the dependent variable. Given that group and team-based work arrangements are becoming a “fact of organizational life” (Morgeson, DeRue, & Karam, 2010: 6) and the promise being shown in group engagement perspectives (Tyler & Blader, 2003), we felt that understanding the antecedents of acceptance was an important step. However, we also must acknowledge that one’s feeling of acceptance or belonging in a workgroup likely serves a proximal role in more distal relationships. As such, an important next step would be to examine whether feelings of acceptance mediate the relationship between CSE and other
more commonly studied variables, including job performance, citizenship behaviors, and attitudinal outcomes (e.g., satisfaction, commitment).

Related to the above limitation, because acceptance was a self-reported measure (along with the predictor variable, CSE), it is impossible to discount common method concerns. One argument in defense of our study is that both CSE and feelings of acceptance are only meaningful when rated subjectively by the beholder. However, an equally defensible counterargument would be that having a group or coworker rating of another employee’s acceptance is most important. This would be especially true in contexts where group-level outcomes were of interest. Thus, future research examining this question should include a variety of measures beyond self-reports. Interestingly, though, we believe that common method issues may have resulted in more conservative findings than other-reports may have generated. That is, because hyper-CSE individuals might be more inclined to perceive they belong in a group – even if this belief is delusional – it seems surprising that we would still find a significant curvilinear effect. Common method issues were mitigated somewhat by the use of supervisor ratings in hypothesis 2, but again, more work is needed to determine what role common method bias played in our findings.

A strength of our study was that we surveyed respondents and their supervisors in a variety of organizations across a variety of job types. However, a possible limitation is that all responses were solicited from mainland China. Although several organizational researchers have produced results in China that are similar to those found in the West (e.g., Chen, Tjosvold, & Liu, 2006; Kirkman, Chen, Farh, Chen & Lowe, 2009), it remains unclear whether our results are culture-specific. Given the possibility of meaningful differences on important cultural dimensions such as individualism-collectivism, it may be the case that our findings are somewhat muted because Chinese employees place more emphasis on collective work groups (thus, increasing their efforts to be accepted and the likelihood of being accepted). However, an inverse case could be made also; employees with hyper-CSE may more clearly violate social norms, resulting in lower ratings of acceptance. Clearly, more work is needed to determine the degree of generalizability.

CONCLUSION

In conclusion, our research provides more clarity into the relationship between CSE and feelings of acceptance in the workplace. Our study not only supports the notion that CSE, in general, has a positive impact on the workplace, it also acknowledges that inflated self-concepts may have deleterious effects on one’s sense of belonging. Given that this belonging may ultimately influence group engagement, attachment, commitment, and effort, this is an important advancement. Moving beyond the relationship between CSE and social acceptance, our study highlights that the relationship between an employee’s positive self-concept and his or her sense of belonging is contingent on behavior expressions of conscientiousness. That is, inflated self-evaluations may be okay so long as an employee demonstrates reliable, hard-working, and industrious behaviors in the work context, but could be far more severe when such behaviors are not present. As a first step in understanding these relationships, we are hopeful that continued research will continue to inform the “dark sides” of traditionally bright traits and continue to pursue the boundary conditions of such effects.

REFERENCES


A NEW MODEL FOR STUDYING THE RELATIONSHIP BETWEEN CORPORATE LIFE CYCLE, STRATEGY, AND CEO CHARACTERISTICS.

Brian Martinson, Tarleton State University

ABSTRACT

We propose a new model to test the relationship between corporate life cycle stage and successor CEO demographic characteristics using cluster analysis. The paper proposes studying systems of corporate level strategies based on corporate life cycle phases and bundles of successor CEO characteristics in a single model to improve real world predictive ability. Propositions suggesting configurations of CEO demographic characteristics aligned to growth, maturity and decline phases are offered. Our model seeks to integrate and improve upon prior studies identifying the relationship between corporate life cycle phase, effective strategic decision making, and upper echelons theory.

People, products, markets, even societies,

have life cycles—birth, growth, maturity,

old age, and death. At every life cycle

passage a typical pattern of behavior

emerges - - Ichack Adizes

Over the past forty years management scholars have been interested in studying the role the top manager of a corporation plays in the success or failure of the firm and the effects on the firm of the transition process when the role is passed from one individual to another. The selection of the chief executive officer is one of the most important roles performed by the board of directors. A critical board objective is to select a CEO that will make optimal strategic decisions to maximize firm performance (Zajac, 1990). The resulting outcomes brought about by the selection of a particular CEO may have significant positive or negative effects on shareholders, employees and customers. The importance of this decision can be best understood when we consider that forty-five percent of all business failures in the USA are caused as a result of the selection of incompetent managers to chief executive positions (McGiven, 1978).

Research streams have considered the CEO succession event from many different perspectives. In the event of a voluntary succession, research suggests that the incumbent CEO will play a significant role in determining their successor. Research also suggests that the size of the firm and the pool of internal candidates will also influence the choice of replacement. Clearly, the nature of the industry and the financial performance of the firm will also play a role in determining the desired characteristics of the successor (Datta & Rajagopalan, 1998). And finally, the role the board of directors plays, in terms of their level of involvement in strategic decision making and the amount of managerial discretion the board grants to the CEO position, will have an impact on whom is selected for the top job (Gerstein & Reisman, 1983; Leontiades, 1982; McCanna & Comte, 1986). Since all of these sources of influence combine to create the internal and external environment that informs the decision making process undertaken when replacing a CEO, this paper will attempt to add to the CEO succession research stream by proposing a study that incorporates the multiple influences on the succession process at the macro level into a single model. The research question we seek to address is: Can the interaction of multiple CEO characteristics predict the likelihood that a successor CEO will embody the appropriate cognitive bases aligned with the
desired strategic decision preferences believed to be best matched to a set of organizational challenges associated with corporate life cycle stage? The model will attempt to identify the relationship between a set of strategies argued to be most often considered by a firm as a response to its corporate life cycle phase and the desired bundle of characteristics possessed by a CEO candidate that best matches the set of strategies. The study proposes that corporate life cycle phase and its corresponding set of key strategies can be used to predict the composite set of characteristics of a successor CEO using demographic proxies for the desired cognitive base characteristics previously supported by empirical research.

The paper will present a brief review of previous CEO succession/successor characteristics research and then suggest a new approach integrating corporate life cycle stage as an antecedent variable and suggest that the relationship is moderated as a response to the cause of the succession event being either voluntary or involuntary. The paper will offer a framework for integrating the strategic decision-making demands placed upon a firm based on its phase in the corporate life cycle and the CEO characteristics set that would best predict the selected CEO candidate’s ability to meet those demands. A proposed methodology is presented and limitations and practical applications will be discussed.

A BRIEF REVIEW OF CEO SUCCESSION LITERATURE

CEO succession research has been actively pursued by scholars since the early 1960s. It has attempted to focus on the contextual aspects of succession, hoping to provide a richer understanding of the influences of specific internal and external environmental conditions affecting succession decisions and outcomes (Giambatista, Rowe, & Riaz, 2005). The driving force behind studying succession was the assumption that succession was an inevitable event for every organization and that it causes undesirable instability (Giambatista et al., 2005; Grusky, 1960).

In the early stages of succession research, three general views began to take shape. Succession events were viewed as a vicious cycle of poor performance leading to the removal of the CEO which, invariable, disrupted organizational functioning leading to more poor performance (Giambatista et al., 2005). Succession events were also viewed as a ritual scapegoating wherein a CEO was “sacrificed” in response to poor performance in order to signal to the stakeholders that the board of directors was aware that there was a problem and that action was being taken. Often times there was not a corresponding analysis of the circumstances leading to the performance decline and the actual cause of the poor performance was not addressed (Giambatista et al., 2005). The third perspective, and the one that is taken with this paper, is a view based on common sense theory which suggests that increased performance could be attained by selecting a suitable successor CEO when the need arose due to voluntary turnover or by replacing a poor performing CEO by board action. It was held that a new person would be granted a “honeymoon” period allowing for the implementation of beneficial changes to the organization and also, that the new manager would have increased enthusiasm and a fresh outlook which would contribute to improved performance (Giambatista et al., 2005). Later research streams focusing on the CEO succession generally looked at the internal and external environmental influences leading to a succession event, the characteristics of the selected CEO, and the performance outcomes as a result of succession events and selected CEO characteristics.

For example, Rajagopalan and Datta (1996) and Datta and Rajagopalan (1998) found that industry factors might be less salient than firm specific factors when trying to predict variations in CEO characteristics across firms. In their study they set out to learn the extent to
which performance was affected by the fit between industry and CEO characteristics. Their review of empirical research found that firm size is positively associated with a top manager’s age, organization and industry tenure, and the selection of insider CEOs. They also found that firms exhibiting inferior performance were more likely to select outsider CEOs. They found that organizational risk has been shown to increase the likelihood of selecting young, outsider CEOs having low organizational tenure.

Their study considers the idea that industry conditions are a widely accepted influence on managerial actions and competitive strategies. For example, the degree of industry concentration which serves as an indicator of the level of competition within an industry has been shown to have an impact on the range of competitive actions an organization may take. They suggest that the higher the concentration of competition, the fewer actions available to management. They also suggest that product differentiation ability measured as industry advertising intensity also forms the basis of competition within an industry. Firms in low differentiation product markets are primarily concerned with cost and efficiency considerations. Industries with high differentiation product markets have more avenues available for competition leading to a wider range of competitive actions.

In another study Datta and Rajagopalan (1998) looked at the relationship between industry structure and CEO characteristics and found that industries with high product differentiation selected CEOs with shorter organizational tenure and higher levels of education. They also found that selected CEOs were more likely to have a non-throughput background and that industry growth rates were associated with short tenure and younger CEO successors.

In studying the effects of CEO origin, Zajac (1990) found that firms with insider CEOs were more profitable than firms with outsider CEOs, and that in the cases of voluntary succession, firms having incumbent CEOs with a specific successor in mind were more profitable than firms without. Zhang and Rajagopalan (2004), also following the internal versus external candidate stream, found that the number of inside CEO candidates was negatively related to relay or outside succession and that strong pre-succession firm performance increases the instances of relay succession and decreases outside succession. Datta and Guthrie (1994) found that lower firm profits and firm growth were associated with the selection of outsider CEOs. Additionally, their study found that R&D intensity was associated with the selection of CEOs having technical functional backgrounds and higher levels of education. The next section will discuss the concept of life cycle and how it has been applied to businesses and corporations.

**Corporate Life cycle Theory**

Corporate life cycle theory has frequently been used by scholars to explore the cause and effects of environmental factors on firm strategic decision making and performance along a temporal dimension. The stage or phase of a life cycle has been used to describe stimuli emanating from the external environment, such as a product market (Anderson & Zeithaml, 1984; Eisenhardt & Schoonhoven, 1990; Hofer, 1975); or as a reflection of internal environmental stimuli, such as organizational life cycle (Jawahar & McLaughlin, 2001; Smith, Mitchell, & Summer, 1985). While the two separate perspectives appear to be conceptually distinct, they can be viewed as separate sides of the same coin (Wernerfelt, 1984). The fluctuating conditions of the product market (new competitors, new technology, changing customer demands) require adjustments on the part of the firm (new products, new processes, new organizational capabilities) in order to remain competitive and meet stakeholder expectations. As Hofer (1975) points out, one of the main challenges preventing the development of a uniform theory of corporate and business strategy is the assumption that
any such strategy would be situational and be dependent upon too many factors unique to a given situation to allow for the development of more generally applicable hypotheses. He contends that all theories of corporate/business strategy must be contingency theories. However, Eisenhardt and Schoonhoven (1990) suggest that an environmental variable such as market or life cycle phase could capture a “constellation of attributes” rather than any single dimension affecting a specific firm’s strategic decisions. Research focusing on corporate-level strategy often attempts to examine the relationship between strategy and performance without considering the role played by corporate strategy in creating and sustaining competitive advantage at the business level (Dess, Gupta, Hennart, & Hill, 1995). A life cycle phase variable allows for a comparison of a collection of environmental stimuli impacting the set of firms under study in such a way that a similar set of strategic responses would be appropriate from a majority of firms given a particular life cycle phase, which may in turn allow for greater generalizability of the study results, and possibly allow a more general theory of corporate and business strategy to be developed (Adizes, 1979; Miller & Friesen, 1983).

**RESEARCH HYPOTHESES**

This model is proposed to test the relationship between corporate life cycle phase as a firm level antecedent variable and successor CEOs’ demographic characteristics. By attempting to match CEO characteristics using observable demographic proxy variables for the cognitive bases associated with select strategic decisions (Gupta, 1984; Hambrick, 2007; Hambrick & Mason, 1984) found to be related to the successful management of the corporate life cycle phase (Miller & Friesen, 1983) as defined using financial statement measures (Anthony & Ramesh, 1992) available for a broad cross-section of corporations, we hope to be able to contribute a model that can predict the configuration of demographic characteristics of a successor CEO for a wide variety of multi-business firms competing in a variety of industries. The following model (figure 1) presents the hypothesized relationship:

**Figure 1.**

Based on Miller and Friesen’s (1983) longitudinal study of corporate life cycle phases and associated strategies, and Hambrick and Mason’s (1984) upper echelons perspective, it is proposed that corporate life cycle phases represent patterns of internal and external conditions that indicate a configuration of desired strategic decisions related to firm performance. It is
proposed that a board of directors would attempt to match a successor CEO with the strategic decision making demands of the firm taking into account the current corporate life cycle phase at the time of the succession decision. Finkelstein and Hambrick (1996) suggest that a firm matches CEO competencies to the firm needs at each succession event. Thompson (1967) suggests that firms will choose leaders who will be effective in dealing with critical contingencies, including those posed by the industry context and firm life cycle phase. They would accomplish this by selecting a CEO with the set of characteristics they expect would yield the desired cognitive frames needed to observe and interpret internal and external environmental conditions (as indicated by corporate life cycle phase). It is presumed that a successor CEO would be selected by the board of directors based upon the match between his/her identified set of managerial characteristics and the strategic objectives of the firm (Gerstein & Reisman, 1983; Govindarajan, 1989; Kerr & Jackofsky, 1989; Leontiades, 1982; Szilagyi, Jr, & Schweiger, 1984) and the successor CEO would ultimately identify and implement the appropriate strategies aimed at maximizing firm performance (Anderson & Zeithaml, 1984; Anthony & Ramesh, 1992; Hofer, 1975; Jawahar & McLaughlin, 2001; Smith et al., 1985; Zajac, 1990). The benefit of using the corporate life cycle phase as an antecedent variable over a single business or industry level financial antecedent variable is that multi-business firms compete in a variety of businesses and industries, and the individual industry effects are generally less salient in the relationship between CEO characteristics and firm performance than are firm level antecedents (Datta & Rajagopalan, 1998). Furthermore, the “CEO effect” on corporate level performance is more substantial than are industry or firm effects (Mackey, 2008), suggesting that the antecedent conditions related to corporate life cycle phase play a significant role in the wellbeing of the firm and should therefore be of greatest concern when the board of directors is contemplating the selection of a successor CEO. The environmental conditions reflected by corporate life cycle phase represent a set of financial and organizational challenges that cross individual business and industry lines and therefore have the potential to represent a set of similar strategic decisions required of a group of CEOs based not upon a single industry or business unit, but rather a combined portfolio of businesses and industries. This suggests that corporate life cycle phase as an antecedent variable for studying CEO succession has the potential for broader generalizability supporting improved macro level studies of the relationship between strategy and CEO characteristics. To put it another way, a board of directors will be seeking to identify an individual that has the requisite characteristics needed to lead the firm in all of its business units across all of its industries. Focusing on a single business or industry specific antecedent when studying CEO selection characteristics limits the generalizability of the analysis to an unrealistic set of conditions and fails to sufficiently recognize the combined effects of the portfolio of businesses that will influence a board of directors’ decision making process. Corporate life cycle phase, on the other hand, provides a more general antecedent variable applicable to all firms and more realistically represents the complex operational challenges a successor CEO would be required to address across industries and business units.

Previous research has considered the relationship between manager characteristics and firm strategies using different frameworks such as archetypes (Wissema, van der Pol, & Messer, 1980), stages of growth (Leontiades, 1982), reward systems (Kerr, 1982), Miles and Snow typology (Miles, Snow, Meyer, & Coleman, 1978), and Porter’s generic strategies (Porter, 1980). A research approach that seeks to relate specific managers’ characteristics with specific life cycle phases provides for the interaction of a bundle of managerial characteristics to be modeled against a given set of strategies. It is possible that multiple configurations of characteristics may exist to effectively implement a given strategy. For example, is may be
seen that different experience backgrounds and personality orientations may substitute for one another to effectively implement a given set of strategies (Govindarajan, 1989).

**Strategies Associated With Successful Life cycle Stages**

We propose that the conditions a firm is facing at the time of the succession event will be reflected by the combination of performance variables used to define phases of the firm’s life cycle. We propose that among the knowledgeable business managers and strategists assumed to comprise the members of a publicly traded corporation’s board of directors, awareness regarding the nature and appropriateness of required strategic decisions will be strongly influenced by a firm's stage in the corporate life cycle at the time of identifying a CEO successor. By utilizing empirical research that identifies strategies geared toward successfully managing an organization during its current life cycle stage, it may be possible to predict the range of strategic decisions a board of directors may be considering when looking to match a successor CEO to the demands of a firm's current objective situation (Hambrick & Mason, 1984). In a pilot study (Martinson, 2010) conducted using a convenience sample of 188 firms selected from Fortune Magazine’s top paid CEOs list, a corporate life cycle phase variable created from annual financial reporting data (Anthony & Ramesh, 1992) was found to predict the relationship between education and the life cycle phases of growth and maturity. What follows is a proposed methodology using the pilot study as a model to identify a set of strategies associated with a firm’s given life cycle phase and the corresponding cognitive bases predicted to best match the successor CEO with the domain of strategic choices they are likely to encounter (Hambrick & Mason, 1984; Miller & Friesen, 1983).

Through their longitudinal study of 36 corporations comprised of a variety of business units across various industries, and all with a minimum of 20 years of operations, Miller and Friesen (1983) found support for the concept of organizations progressing through a succession of phases as they grow, age, and change their strategies. They identified the general tendency of firms to move from the birth phase through the growth phase to the mature phase. In their study, firms in the birth stage tended to have informal structures, undifferentiated distribution of work tasks and highly centralized decision-making. Growth stage firms exhibited some formalization of structure that followed a functional basis of organization with somewhat less centralization of decision-making than birth stage firms. Firms in the mature phase more frequently had formal, bureaucratic structures and organized their work along functional lines. They also tended to have more moderate levels of decentralized decision-making (Miller & Friesen, 1983).

While the firms generally progressed through the sequence of birth, growth, and maturity, at times firms experienced internal and external environmental challenges that threatened the organization’s survival. At this point organizations generally entered into either a revival or decline phase. Revival phase organizations tended to have divisional structures with highly differentiated product and business lines, sophisticated internal controls, and formal decision-making processes. Decline phase organizations generally had moderately differentiated product and business lines, formal bureaucratic structures, and were organized along a functional basis with moderate centralization of decision-making. They also generally had less sophisticated control and decision-making methods.

As part of their study, Miller and Friesen identified and “scored” significant moments in each organization’s history. These moments reflected “the tranquil boundaries of crucial organizational transitions-- that is, before and after any significant changes in environment, organization structure, strategy making or leadership.” They identified 171 transition periods occurring on average of six years apart with the shortest interval being 18 months, and the longest being 20 years. For each of the 171 transition periods they rated 24 separate variables.
including: scanning, controls, communication systems, analysis, multiplexity and integration of decisions, product market innovation, proactiveness, risk-taking, and futurity.

They also assigned each of the 171 transition periods to one of the five life cycle phases based upon criteria reflected in the literature (Adizes, 1979; Miller & Friesen, 1983). For the purposes of this paper, we will focus solely on the growth, maturity and decline phases. Growth phases were identified as organizations experiencing sales growth greater than 15%, with functionally-based organization structures, and the beginning of formalized policies. Mature phase firms were defined as those with sales growth less than 15% and having bureaucratic organization structures. Firms in the decline phase were identified by their lack of sales growth, a low rate of product innovation, and declining profitability.

The final categorization of the 171 transition periods included identifying them as either successful or unsuccessful in terms of firm performance in order to identify the strategies and actions implemented during each phase that lead to successful firm performance. A success score was created for each period by rating annual growth in profits and sales, normalizing and converting them to seven-point scales, and then averaging the two scales. (Miller & Friesen, 1983).

Based on the work of Miller and Friesen (1983), it is proposed that the following strategies and accompanying characteristics or cognitive bases of the CEO successor will be best matched as follows: **Growth phase**: strategies – broadening of product market's output into closely related areas, incremental innovation, product line development, and rapid growth; **CEO characteristics** – futurity, risk-taking, proactiveness. **Maturity phase**: strategies – consolidating product market strategy, focus on efficiently supplying a well-defined market, conservatism, and slower growth; **CEO characteristics** – multiplexity, integration, innovation. And finally, for firms in the **Decline phase**, it is predicted that organizations will seek the strategies associated with the Miller and Friesen’s “revival” phase in order to move the firm back to profitability. Therefore, the strategies and the characteristics or cognitive bases of the CEO successor for **Decline phase** firms will be best matched as follows: **strategies** – product-market diversification and movement into some unrelated markets, increased risk taking and planning, and substantial innovation; **CEO characteristics** – analysis, control, scanning.

The CEO characteristics described above identified by Miller and Freisen (1983) as being the cognitive bases most associated with successful strategic decisions and actions are defined as: **Analysis**: spends time in reflective thought, deliberation and consideration of multiple underlying causes for problems and alternative solutions; **Control**: focuses on monitoring internal trends and incidents relevant to organizational performance; **Scanning**: degree and breadth of search for new opportunities; **Futurity**: long-term, forward looking planning and strategic decision making (not only short-term crisis management); **Proactiveness**: first to act, shapes environment by introducing new products and services; **Risk Taking**: willing and able to make large, risky resource commitments; **Integration**: creating and implementing strategies across all areas of the firm that complement each other; **Innovation**: frequently introducing new products and services into current and new markets; **Multiplexity**: incorporating a broad array of factors into strategic decisions by incorporating multiple inputs and functions (not focusing solely on market factors).

The final step in the proposed model is to identify the observable demographics frequently studied in the CEO succession literature that would be most suitable to serve as proxies for the cognitive bases described above. As our objective is to predict the successor CEO’s set of characteristics through cluster analysis, we will first list and describe the demographic characteristics individually, and then present a table (table 1.) of the proposed
relationships between the demographic characteristic and the associated cognitive bases (as either a positive or negative relationship) as opposed to describing the relationship between each demographic variable and its corresponding cognitive base.

The demographic variables proposed for use in our study include: **Age**: positively related to commitment to status quo, limited exportation, rigidity, resistance and less likelihood of strategic change; negatively related to risk tolerance and ability to integrate new information (Datta & Rajagopalan, 1998; Wiersema & Bantel, 1992); **Education**: positively related to cognitive ability, capacity for information processing, tolerance for ambiguity and propensity or receptivity to innovation (Datta & Rajagopalan, 1998; Hall, 1976; Wiersema & Bantel, 1992); **Tenure**: positively related to; unwillingness to change structures, policies and procedures; narrower past experience and knowledge base; more focus, propensity to reinforce stable processes and structures even in threatening conditions (Datta & Rajagopalan, 1998; Geletkanycz & Black, 2001; Wiersema & Bantel, 1992); **Industry Experience**: positively related to commitment to status quo; deeper understanding of industry norms and practices (Geletkanycz & Black, 2001; Zhang & Rajagopalan, 2004); **Functional Background**: Output (marketing and sales) positively related to innovation and change; Throughput (operations, R&D, engineering) more appropriate for cost-cutting and efficiency related strategies; peripheral -- law, finance, accounting (Datta & Rajagopalan, 1998; Hall, 1976); **Functional Experience**: negatively related to an executive’s cognitive functioning; deeper understanding of function’s norms and practices (Geletkanycz & Black, 2001); **Functional Diversity**: positively related to diverse skill set and willingness to concede the need for change (Geletkanycz & Black, 2001).

Based on Miller and Friesen’s (1983) empirical findings regarding the relationship between successful firm strategies and life cycle phase, and the suggested association between the previously described CEO demographic characteristics and desired cognitive bases, we offer the following propositions:

**Proposition 1**: firms in the **Decline phase** will select CEOs that: are older, have less education, have more tenure, have more industry experience, have throughput functional backgrounds, have more functional experience, and have less functional diversity than firms in the Growth or Mature stages.

**Proposition 2**: firms in the **Mature phase** will select CEOs that are younger and have less functional experience than firms in the Growth or Decline stages.

**Proposition 3**: firms in the **Growth phase** will select CEOs that have less tenure than firms in the Mature or Decline stages.
Table 1.

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<tr>
<th>Variable</th>
<th>Multiplicity</th>
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**Moderator**

In addition to the desire of the board of directors to match the successor CEO’s cognitive bases to the demands of the strategic decisions required of the firm at the point in time of the succession event, prior strategic persistence, or the firm’s desire for continuity in terms of strategy and norms suggests that a new CEO’s characteristics set might be similar to the outgoing CEO during the growth and mature phases given a voluntary succession (Hambrick & Mason, 1984; Zhang & Rajagopalan, 2004). Mimetic or normative isomorphism may also influence the board’s choice for replacing the outgoing CEO with a successor CEO possessing similar characteristics if the firm is in a desirable life cycle phase (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). In addition, the board might be affected by investor pressures if the firm is in a decline phase and in need of strategic change even though the succession is voluntary.

Therefore, we offer the following propositions to describe how the relationship between life cycle phase and CEO characteristics may be moderated by nature of the cause for CEO succession:

**Proposition 4a:** Firms in the Growth or Mature phase with voluntary succession will select CEOs with a higher degree of similarity to the outgoing CEO than firms in the Decline phase.

**Proposition 4b:** Firms with forced succession will select CEOs with a lower degree of similarity to the outgoing CEO than firms with voluntary succession.
The proposed method for testing the predictions would be to sample a group of publicly traded firms in the United States. Financial information is readily available though public reporting databases (e.g. COMPUSTAT) allowing the gathering of data over several decades which generally encompasses a large population of firms moving through several life cycle phases and experiencing at least a single CEO succession event. The proposed predictor variable for this study is the three level Firm Life cycle Phase categorical variable developed by Anthony and Ramesh (1992) which uses accounting statement information to create the following life cycle descriptors: Dividend Percentage (DP), Sales Growth (SG), Capital Expenditures (CEV) and Firm Age (A). DP is calculated as common dividends over income before extraordinary items and discontinued operations in the year of the succession event (t). SG uses net sales t or net sales t-1. CEV is total capital expenditures over total value of firm in year t. A is the firm’s Age in year t.

To create the values used in the identification of the life cycle phase, values are calculated for each variable of each firm for each year. The firms are rank ordered from high to low by their values and placed in the high, middle or lower group for the year of their CEO selection event. A composite life cycle score is created by rounding the mean value of the four separate life cycle descriptor variables to the whole number. For a complete description of the variable please refer to Anthony and Ramesh (1992).

Response Variables
The CEO characteristics variables proposed for use in the model include: Successor CEO’s age in years at time of succession event. Attained level of education in years. Firm tenure in years. Industry Experience scored using a scale of 0 to 3 (0 if none, 3 if primary affiliation at all career points). Functional background identified as either Output (marketing and sales); Throughput (operations, R&D, engineering); Peripheral (law, finance, accounting) categorical variable. Functional experience as the total number of years in a related role. Functional diversity scored using a scale of 1 to 3 (1 if entire career spent in one area, 3 if

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<th>Lifecycle Phase</th>
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<td>Mature</td>
<td>Similar CEO</td>
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</tr>
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<td>Decline</td>
<td>Dissimilar CEO</td>
<td>Dissimilar CEO</td>
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different area at each career points). Similarity to outgoing CEO is calculated using Blau’s (1977) index of heterogeneity and including all predictor variables.

**Control Variables**

Year of hire to captures historical trends. Firm age measured as the number of years since the firm’s founding. Firm size measured as the log of the number of employees. Industry measured by 4 digit SIC code.

**Analysis**

The proposed method of analysis for testing the hypotheses is cluster analysis. Cluster analysis has been used sporadically in management research over the past forty years (Ketchen & Shook, 1996) with mixed results. However, as the technique uses a set of algorithms to organize attributes not easily quantifiable, such as traits or characteristics that serve distinguish people from each other, into mutually exclusive groups (Stockburger, 2012), it is well suited for identifying the collection of CEO characteristics proposed in the hypotheses and organizing them based on their predicted relationship to the corporate life cycle the firms they joined were facing at the time they were selected as the successor CEO. For example if hypothesis 1 finds support, cluster analysis would group CEOs hired by firms in the decline stage based on the characteristics that they are generally older, less educated, more tenured, with more industry experience and throughput functional backgrounds, have more functional experience, and have less functional diversity than CEOs hired by firms in the Growth or Mature stages when compared to CEOs on all seven characteristics simultaneously. By mapping the blend of characteristics for a given life cycle stage we can determine if any specific combinations of the seven characteristics emerge as being best suited to predicting the characteristics or cognitive bases aligned with the successful strategies Miller and Friesen (1983) proposed as being most successful for meeting the challenges a heterogeneous set of firms face in a given life cycle phase. Is short, rather than testing the relationship between a single antecedent variable and a single characteristics such as age or education in a single model with the select set of firms, as has of often been done in the prior studies, we can test, in a single model, the many characteristics that make a person the unique individual they are against the variety of strategic challenges a corporate leader responsible for either a single or multiples lines of business must address. If the model is supported this would be a significant advance toward predicting which CEOs will be best suited for a particular firm at a particular point in time.

**Limitations**

The model applies to firms that have moved beyond the birth stage of the life cycle. It does not apply to small, young firms with informal organizational structures or dominated by owner managers. There are several limitations that need to be discussed in the proposed model. First, a key assumption of the model is that a firm’s objective situation can be accurately classified by its life cycle phase as predicted by Anthony and Ramesh’s accounting based model. This assumption is what allows the model to be applied to a larger population of firms in such a manner as to suggest commonalities in matching managerial characteristics with firm’s strategies. Second, it is assumes that individuals serving on board of directors perceive the objective situation consistently with its life cycle phase and subscribe to the corresponding strategic priorities for the given phase as identified by Miller and Freisen (1983). Third, the board members responsible for selecting the individual CEO successor candidate also agree as to which values and cognitive bases are aligned with the firm’s
objective situation and select the CEO candidate based on those psychological factors which are proxied by the observable characteristics possessed by the candidate. That these limitations may affect the model’s predictive capabilities is not without concern. A recent study suggests that boards may base their decisions on limited information. For example, Hamori (2010) focuses on the role of search firms in executive recruiting and shows that prior job title may have more of a relationship to being selected for an executive position than a candidate’s actual accomplishments. One final limitation is that observable characteristics only serve as proxies for cognitive and non-cognitive attributes of an individual that are directly connected to their decision making processes. Using actual cognitive and non-cognitive attributes such as general cognitive ability, personality and beliefs, values, and preferences would clearly provide a more direct set of measure to use in a model aimed at predicting CEO strategic decision making behaviors.

CONCLUSION

The corporate life cycle variable allows the interaction of growth, profitability and plans for future production through capital investment to be compared simultaneously across a set of CEO characteristic, and through the use of cluster analysis, allows all focal CEO characteristics to be entered into a single model to predict their relative contribution to the selected CEO’s composition of managerial characteristics. This model may serve to illuminate how CEO candidates’ bundles of characteristics are considered in total when they are chosen for a firm’s top management position. Future research may benefit from the use the model to predict a mismatch of managerial characteristics by comparing post succession performance to corporate life cycle phase and selected candidate characteristics. Improvements in the study of CEO succession may serve to improve board member selection decisions and provide researchers with beneficial insights used to guide further research in understanding the relationship between the role of a CEO and firm performance.

REFERENCES


AN AMERICAN EXPATRIATE IN CHINA: EVIDENCE OF ORGANIZATIONAL CULTURE CROSSVERGENCE
Eric Sanders, MA, MBA, CPLP, Benedictine University

ABSTRACT

This paper presents a detailed interview with an American expatriate in China, and shows evidence of cultural crossvergence: a blending of both economic ideology and national culture in a new organizational mindset. It explores each of Hofstede’s five dimensions of national culture. Through the expatriate’s perspective, we see how the firm has built a global culture and is working to develop global leaders who share this new mindset.

Keywords: cultural crossvergence, organizational culture, global business

INTRODUCTION

There has been discussion among organization development professionals over the past several years over whether national cultures are converging or diverging (Yaeger, 2004). Ralston, Holt, Terpstra and Yu (2007) argue in favor of crossvergence with national culture dominance. What seems clear in our age of global expansion of business in nearly all sectors is the importance of developing a global perspective that balances both strategy and talent development between the headquarters country and local business units (Bellin and Pham, 2007; Mendenhall et al., 2003).

Ralston et al. (2007) present a strong study of managers from four nations: the U.S., Japan, Russia and China, to represent the four quadrants of a two by two grid with national culture (individualism vs. collectivism) on one axis and economic ideology (individualistic vs. socialistic) on the other. They go on to say that a Venn diagram showing the overlapping nature of these factors might be more appropriate to show what they called crossvergence: “when an individual incorporates both national culture influences and economic ideology influences synergistically to form a unique value system that is different from the value set supported by either national culture or economic ideology.” This model seems to fit well with the data of how global firms behave and has implications for how national culture develops also. My research adds qualitative details to their quantitative findings.

METHODOLOGY

As part of a graduate course on global organization development, I conducted a detailed interview with an American expatriate working in China. It shows that the organizational culture of his company—a US-based multinational manufacturer—is much more alike than different, regardless of where you are located in the world. There are certain allowances for differences in local culture, and blended economic choices with national culture in a crossvergence that seemed much closer to the headquarters culture than the interviewee or I expected.

In this paper, I will use the definition of culture of Roger Keesing, as quoted by Alfred Jaeger (2001, p. 82). Culture is…

...an individual’s theory of what his fellows know, believe, and mean; his theory of the code being followed, the game being played. Thus culture is not an
individual characteristic, but rather a set of common theories of behavior or mental programs that are shared by a group of individuals.

The interview is constructed around Hofstede’s model of national culture (Hofstede & Hofstede, 2005), in which there are five main dimensions: power distance, individualism (vs. collectivism), masculinity (vs. femininity), uncertainty avoidance, and long-term orientation. He has measured the culture of the US and of China on each of these dimensions as follows (figure 1, taken from Hofstede, 2007):

I will briefly describe my interviewee, and then go through each of the dimensions of culture, as the subject sees them in his work in China. By his perception, the culture of his organization in China is more like the US than China along Hofstede’s measures, especially in terms of Power Distance.

Data
Background of the interviewee
The person I interviewed was an American working as an expatriate in Western China for a large multinational manufacturer, whom I will refer to as “Pat.” He was married with children, and the entire family was living in China at the time of the interview. He holds an MBA, worked in Europe for two years and speaks a foreign language fluently, and had been with his employer for about ten years, with good progression in his roles. His role in China had Pat leading the operations of two plants with a total of approximately 1,400 employees. He had about 40 direct reports, including three managers.

Dimensions of National Culture of a Multinational Firm in China
Power Distance
Power distance refers to “the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally.
Institutions are defined as the basic elements of society such as the family and the community, while organizations are where people work (Hofstede & Hofstede, 2005, p. 46). In terms of organizational structure, Pat said that the employer is a large multinational manufacturer with strong quality control and a relatively standardized product. For those reasons, major decisions regarding production levels and processes are made at corporate headquarters. He went on to say that line layout and allocation of local resources are decided locally, within a certain range of flexibility. This shows relatively high power distance.

However, Pat finds there are fewer layers of management in his operation in China than in the US, so he has greater ability to make decisions there than he had in US operations. Part of this may be due to his promotion to a higher level in the company, but part is due to the structure of the operations in China.

In making decisions regarding his work, Pat gets input from his employees, depending upon the situation. For example, his is responsible to decide personnel levels for his operation, and he does that with limited input from his staff. However, who to hire and who to fire he leaves to his employees, so long as they follow company protocol. He stressed that at all times it is important to the employees and the company that it be clear he is in charge.

Pat socializes with his employees at quarterly team-building company events, the same as is done in the US. These might include dinners, outdoor activities or games. At these events, Pat interacts with employees at all levels. Employees do want to see their bosses outside of the work setting, but he feels that is similar to what he has seen everywhere else, and not unique to Western China.

The plant receives visitors from the US and elsewhere regularly, and frequently it is Pat’s job to greet and entertain them. This has included US Ambassadors, officials from the Federal Reserve Bank, Chinese business and political leaders, and senior officers of his own company, including the CEO and Chairman of the Board.

One of the questions I asked was: “Are you seen more as a resourceful democrat or as a benevolent autocrat ("good father")?” Pat said: “Hopefully more of the latter, because that is what they are looking for.” However, he then said that he tries hard to expose them to multiple leadership styles, but acknowledges their preference. He is more outward in his approach in that respect, so the employees can learn. For example, Pat notes that overseas it is more important to be sensitive to the culture of the entire audience than in the US, where presentations focus only on the decision maker. He explains to them: “This is how someone in the US might view this; this is how someone from Malaysia might view this. How are you preparing your presentation, given who is going to be in the room, and what their decision style is?” He said that his goal is to develop leaders who can work globally, not just locally. If he were just to use his employees’ preferred style of leadership, he feels he would be doing them a great disservice.

All of these factors combined tend to show a relatively medium power distance in the firm, much closer to what one would see in the US than what is usually found in China.

**Individualism (Collectivism)**

This dimension is defined in terms of contrast. “Individualism pertains to societies in which the ties between individuals are loose: everyone is expected to look after himself or herself and his or her immediate family. Collectivism as its opposite pertains to societies in which people from birth onward are integrated into strong, cohesive in-groups, which throughout people’s lifetimes continue to protect them in exchange for unquestioned loyalty” (Hofstede & Hofstede, 2005, p. 76).
I mentioned the departmental social activities above. Pat noted that attendance at these events varies by location. In the US and in coastal cities of China, attendance rates run about 50%. In his location, attendance is nearly 100% every time. There are a few possible reasons for this difference: First, is the local environment. They are in a relatively remote area, so there isn’t a lot for young people to do. This makes the work events more popular than they might be otherwise. Second, most of his employees are recent college graduates in their early twenties. They generally like their coworkers, and they take advantage of any chance for a social activity with their friends.

A third reason he modestly alluded to, is that he and his staff conscientiously try to make these great events. His predecessor created a strong team culture in the department, and it has been recognized as such in the company. People from elsewhere have come to analyze his team, to see why they work together so well, so they can emulate that teamwork in their own areas.

A final reason for the high attendance rate is the local culture. The collectivist nature of society can be seen in the attendance itself. When the community (in this case the employer) holds an event, you attend, period. In addition, most of the employees are single and live with their parents, which says something about the collectivist culture itself. Pat noted that most of the employees left the events at about 11:00 to 11:30 at night, so they would be home by midnight and their parents wouldn’t worry about them. That is behavior one generally would not expect of Americans in their twenties, whether or not they lived at home. It implies high collectivism, and also high power distance (in showing such respect to their parents).

Pat also found that even when the employees do not live with their parents, they try to stay close by. Given the long-standing one-child policy in China, and the historically strong extended families, this is not surprising, but it is different from what Pat found in the US. He works to set up a career path for his employees, which may include opportunities in his plant and elsewhere. He then helps them learn, develop and advance in the company, but that often requires relocation. The key limiting factor he noted was their mobility. Many of the employees prefer to forego advancement, in favor of staying close to their families.

When asked which was more important to the employees, the individual or the group, Pat said that he used to say the group immediately. Cooperation is always stressed over competition. For example, company programs such as contests for his employees, tend to be team-based, and focused on achieving business results (such as more accurate forecasting) rather than on “beating the other team.” Also employees’ annual evaluations are based in part upon the quality of their team participation and cooperation, as well as on team performance. All that considered, after being in China for a while, Pat now sees that even though group accomplishment is most important, the individuals want to see that they are noticed also. This is not necessarily a contradiction, but does show that although the level of collectivism in China is quite high, there is a slightly higher degree of individualism than he initially found.

Masculine (Feminine)

Again using Hofstede and Hofstede’s definition: “A society is called masculine when emotional gender roles are clearly distinct: men are supposed to be assertive, tough, and focused on material success, whereas women are supposed to be more modest, tender, and concerned with the quality of life. A society is called feminine when emotional gender roles overlap: both men and women are supposed to be modest, tender and concerned with the quality of life” (2005, p. 120).
One indicator of masculinity is the preference for money and accomplishment over leisure time. Pat felt that in his area, the employees in general preferred leisure time to money. However, he qualified that by saying that there were many exceptions to that rule. He also noted that for groups of employees with similar age and experience in the US, he would likewise expect a preference for leisure time.

In discussing his own leadership style, as mentioned above, Pat is conscious that he clearly has to be in charge at all times, but he works to include his employees when possible. He gives them the opportunity to make decisions at whatever level they are able. Indeed, he feels his job is to work himself out of a job, by training his employees, so they can replace him, or another at his level in another location.

Another indicator sometimes used for this dimension is the contrast between logic (a more masculine trait) and intuition (a more feminine trait). For example, Pat said that his work in finance requires a reasonable balance of both. He said, the first answer to any question is always, “it depends.” You have to consider the circumstances of any choice. When reviewing a decision (whether made by himself or an employee) he said, “It has to feel right and it has to look right. If it doesn’t look right, it won’t feel right. And if it doesn’t feel right, I’m going to go back and look at the numbers.” And his employees try to emulate that balance in their work as well.

**Uncertainty Avoidance**

Uncertainty Avoidance can “be defined as the extent to which the members of a culture feel threatened by ambiguous or unknown situations” (Hofstede & Hofstede, 2005, p. 167).

One way to reduce uncertainty is to have clear, detailed instructions. At Pat’s level, he gives general instructions. The next level down does get involved in the details (especially since they have a young staff). If Pat is involved in the details, it is either because he is personally interested in the topic, or something is not working and requires his attention. This seemed to him to be the same as he would expect in the US.

Another indicator is how the employees are with open-ended learning situations and active discussions. Pat felt most of his employees are relatively comfortable with ambiguity. Because his work regularly involves finance, he tends to hire people who have this ability, because it is useful in that field. People are expected to challenge the status quo and they are expected to challenge decision making, so he needs people who are comfortable with open-ended situations and critical thinking.

Another indicator of one’s comfort with uncertainty is involvement in volunteer organizations. The reasoning is apparently that higher volunteerism implies greater comfort with ambiguity. Pat was asked how much he participated in volunteer efforts now, compared to when he was in the US. He said that it was slightly higher now, with greater participation in his children’s school, in church and community work sponsored by the company. His entertaining of guests from abroad might fall under this category also, which shows even greater comfort with uncertainty.

Indeed, when asked directly how well he handled ambiguity and chaos, Pat said that he was very comfortable with them. He also said that was a skill he was tested for in the US prior to being given the assignment, as it was a key skill that the company felt he would need in this position.

Pat did qualify that it is easier for him than for his family, because his responsibilities at work remained similar to what they were before. For his wife, simple tasks like shopping have become much more difficult. Besides the language barrier, only about half of the
products they were accustomed to buying in the US are available in that part of China, so she had to learn to substitute other things. Additionally, transportation is also difficult, even while having a driver. That is because the driver serves both the husband and the wife, so for daily tasks like shopping, she has to verify the driver is available, then wait for him to come, explain where they are to go and what they are to do in a way he can understand, and finally go do the shopping or whatever task they want to accomplish.

Overall, it appears that Pat personally has very low uncertainty avoidance, and his staff members in China are similar in that dimension, by design.

**Long-Term Orientation**

“…Long-term orientation stands for the fostering of virtues oriented toward future rewards—in particular, perseverance and thrift. Its opposite pole, short-term orientation, stands for the fostering of virtues related to the past and present—in particular, respect for tradition, preservation of “face,” and fulfilling social obligations” (Hofstede & Hofstede, 2005, p. 210).

When asked directly about thrift and saving by his local employees, Pat commented that his perception is skewed on this point because he has read many papers that show that in general, the Chinese save more than Americans. However, it appears to him that his employees do not save as much as the literature suggests. He believes that this is because his employees are mostly single and in their 20’s, and that their savings rate will likely increase as they enter later phases of life.

Another indication of time orientation is the emphasis on equality in the society. Following the research of Geert and Jan Hofstede (2005, pp. 220-221), I asked Pat to choose which of the statements below he agreed with most.

A. Too much liberalism is producing increasingly wide differences in people’s economic and social life. There should be more equality among individuals.

B. There is too much emphasis upon the principle of equality. People should be given the opportunity to choose their own economic and social life, according to their own abilities.

He said that he personally agreed more with B. He felt that people should be given a level playing field, but that then they should be rewarded according to their efforts and abilities.

Perhaps most interesting, was our discussion of the importance of mutually beneficial long-term relationships (guanxi) in the host country compared to the US. Wei, Chiang and Wu (2012) discuss this in terms of both individual relationships and also team relationships (guanxiwang), wherein networks improve both job performance and personal career growth. Pat said that in China, relationships are important, but he thinks that is the same everywhere. However, in China, they are more outward with it. It is absolutely recognized that it is critical to have relationships in place, and is stated as such. In the US, it is understood that you need those relationships, but it is not talked about. Since the need for guanxi is explicit in China, it is inherently an indication of greater long-term orientation than in the US. As Hofstede & Hofstede (2005, p. 221) observed, guanxi lasts a lifetime, so it would be foolish to waste it on a short-term objective.

**Estimated Crossvergent Culture**

Based on the interview data, I would estimate that the combined or crossvergent corporate culture in Pat’s organization would be somewhere in between the national cultures
of the U.S. and China, as illustrated in Figure 2. On the Power Distance scale, I would put the operation somewhat higher than in the U.S., but not as high as China, given Pat’s strong relationships with his staff members, yet while intentionally maintaining his status their supervisor. On the Individualism (vs. collectivism) scale, the Chinese national culture prevails, yet it is moderated slightly by the corporate culture, drawing it slightly more individualistic than China in general. On Masculinity (vs. femininity) the U.S. and China are very similar, and the corporate culture did not change that factor. In Uncertainty Avoidance, the corporate culture that Pat built was different from that of both the U.S. and China. Because of their work responsibilities, Pat intentionally developed a mindset that was more tolerant of uncertainty than one would usually find in either country. Finally, in Long Term Orientation, Pat found that his younger employees showed somewhat less of a long-term orientation than he would have expected, but still with a much longer view than ordinarily encountered in the U.S.

![The 5D Model of professor Geert Hofstede](image)

Figure 2. Estimated crossovergent culture of a multinational manufacturing organization in Western China (shown by the red star).

### DISCUSSION

The composite, crossovergent culture displayed above shows important contributions by the national cultures of both the U.S. and China, and also variance from both national cultures in ways that would benefit the firm, especially regarding uncertainty avoidance. In that regard, crossovergence, rather than convergence seems a more accurate description of how the local corporate culture developed.

Clearly the key limitation of this research is that it was with a sample of one. That said, it coincides well with Ralston et al’s (2007) larger study showing crossovergence, where economic ideology blends with national culture to form an entirely unique mindset for the organization. Future research including qualitative interviews with additional expatriates and their local employees, and/or quantitative assessments of the local corporate organizational culture would strengthen this assessment greatly.
As mentioned in the introduction, the most interesting part of this interview was Pat’s perception that the culture of his organization in China was more similar than different from that of the organization in the US. It seems reasonable, and indicates a conscious choice of the firm to develop that culture. This is perhaps best encapsulated by a discussion Pat and I had about the philosophy of multinational corporations regarding expatriates. Pat feels that his ultimate goal is for his employees to be able to replace a person at his level, whether it is there or elsewhere in the company. His employees will be able to work not only in China, but in Malaysia, Indonesia, the US, or any other location, wherever their talents can be best used.

Developing leaders who can work anywhere is the difference between being a global company and a national company with a global presence, according to Pat, and that is well documented in the literature as well (e.g. Bellin and Pham, 2007; Mendenhall et al., 2003). Firms in the latter category have a strategy of teaching the headquarters culture by expatriates and then replacing them with local talent as quickly as possible. Expatriates are expensive, so it makes financial sense to run operations with local personnel. Truly global firms want to find the best and the brightest from around the world, keeping economic cost as one of many factors, but always using the best talent possible, wherever they might come from.

The global strategy Pat presented shows this consideration of culture to be a conscious strategy of the firm. And as Hofstede and Hofstede observed, it is impossible to separate national management culture from national culture (2005, p. 20). If the corporate leaders of a nation develop a global culture, the nation will eventually develop a similar culture. Future researchers will see what this new culture in China and indeed in the world, will look like.

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APPENDIX

Readers may find the actual interview protocol of interest. Note that on each of the dimensions of national culture, I had two questions regarding “desirable” behavior (what is expected in the culture) and two questions regarding “desired” behavior (what the interviewee actually does himself or herself) (Hofstede & Hofstede, 2005, p. 21-22).

Interview Questions:
General
1) Would you please tell me a few of your best experiences in the new host country?
2) How have you had to alter your management style (or following style, or both) in the new country?
3) What preparation did you (and your family) have before going in-country? How helpful was it?

Power Distance
Q. How centralized are your company’s operations in this region?
Q. How often are you expected to socialize with employees? At what levels?
Q. How much input do you get from employees when making important decisions?
Q. Are you seen more as a resourceful democrat or as a benevolent autocrat (“good father”)?

Individualism (Collectivism)
Q. Which is more important to the employees, the individual or the group? Why?
Q. Do relationships prevail over tasks, or do tasks prevail over relationships?
Q. How much mobility in the workforce do you give your employees?
Q. How have you cultivated long-term relationships (guanxi) in the host country compared to at home?

Masculinity (Femininity)
Q. Which do the local employees prefer, more leisure time or more money?
Q. To what degree are you expected to run your organization with an active, forcible approach?
Q. Do you depend more on logic or on intuition in making decisions? Is it the same for your local managers?
Q. How do you encourage cooperation and/or competition between your employees?

Uncertainty Avoidance
Q. How important is it to have instructions for work spelled out in detail?
Q. How comfortable are your employees with open-ended learning situations and active discussions?
Q. How involved are you in voluntary associations and movements?
Q. How well do you tolerate ambiguity and chaos?

Long-Term Orientation
Q. How important is thrift and saving to the local employees?
Q. Does your company focus more on the bottom line or on market position?
Alt. Q. How far out do you plan operations for the company?
Q. Which of these statements do you prefer, and why.
A. Too much liberalism is producing increasingly wide differences in people’s economic and social life. There should be more equality among individuals.

B. There is too much emphasis upon the principle of equality. People should be given the opportunity to choose their own economic and social life, according to their own abilities.

Q. How has your time orientation changed since you went to the host country?
ABSTRACT
This paper employs social construction as a framework to clarify IT-change at CEPS with reference to video narration of an undercover investigation about corruption at Tema Harbor, dubbed, “enemies of the nation”. The paper contends, however, that the underlying issue has to do with dynamics of technology change implementation in organizations. The undercover investigations and subsequent narrative grossly over simplify the reality. The mindless diffusion and adoption of advanced technology under the guise of efficiency targeting in public service delivery is frowned upon. The analysis confirms an established notion that: end users of IT often do conspire to sabotage IT-organization change. One thing is obvious: IT has two important dimensions- the artifact which is more science; and its interpretation- which is more organizational behavior. The two together make IT adaptive in nature- that IT both structures and is structured by its users. Would-be IT-change agents in Ghana’s public sector are encouraged to seek and get professional help from Organization Development experts skilled in IT-Change consulting.
NB. CEPS: Customs, Excise, & Preventive Services.

BACKGROUND/INTRODUCTION
The need to improve the performance of Ghana’s public sector for efficiency and better service delivery to citizens is without question a good governance principle. Public sector reform spans decades, whose twin concentrations have largely been in terms of first, through reorganizing government units and second, through strengthening of public institutions for better service delivery. One is aware that the aims of the current public sector reform program (PSRP) are “to develop a public sector which delivers timely, high quality and appropriate services at the least cost to the nation; supports national development and facilitates the growth of a wealth-creating private sector”. It is expected that reforms will transform the delivery of public services for better efficiency and effectiveness in serving the public. This ideal refers similarly to the concept of reinventing in the public sector as opposed to re-engineering. Reinventing has three key legs: meeting increase service demands from the public; the application of information-age technologies to achieve goals; and effecting major changes and redesign in public sector organizations, their cultures, and workplace processes that serve the public.
This paper focuses on the second leg of Reinventing Government (Osborne & Gaebler, 1992) i.e. the selective use of appropriate information technology to achieve a radical goal of revenue mobilization at the Tema Port. In other words, how do you achieve customer excellence using information technologies to improve service delivery in government? However, technology change in organization often does not achieve intended outcomes and objectives. Success rates are very low. The reasons are obvious! Oftentimes the design considerations outweigh the organizational imperatives.
This paper focuses and analyzes the GCNet technology change at CEPS whose object according to Essabra-Mensah (2010) is to “ensure domestic revenue enhancement and compliance and elimination of bureaucracy in clearance of goods at the ports of Ghana” One thing is clear: GCNet technology change at CEPS presents a paradox- the very “devil” it is
meant to “exorcise” from the system ends up enlisting its cooperation to undermine the very system. In other words the efficiency gains expected through the GCNet technology change at the ports is again compromised by the users of the GCNet as the video documentary by Tiger Eye Company portrays.

METHOD

The research strategy employed here is to use excerpts of notes (transcripts of video documentary) produced from undercover investigation, dubbed, “Enemies of the Nation” by Anas Aremeyaw Anas (which is posted on July 12, 2011 on multi-TV via YouTube). This was a full investigative report of the “dark scenes of Tema harbor” done by Anas of the New Crusading Guide Newspaper in Ghana.

The investigation culminated with a journalistic narration of evidence of corruption at the Tema harbor done by Tiger Eye Company. This report reveals corrupt deals by officials at Tema harbor.

On the surface, it appears the key issue involved in this undercover investigation is the revelation of corruption in public sector institutions. For this paper, the larger issue is public sector reform to improve efficiency and effectiveness through advanced technology change at the Tema harbor. In other words, the underlying issue in the saga of “enemies of the nation” is a misunderstanding of an issue at play which is about the nature/dynamics of IT-change in organizations.

This paper consequently employs the social constructivist paradigm to help better understand and appreciate the problems with the GCNet IT-Change at CEPS, and the implications and solutions that the constructivist approach to IT change offers to would-be adopters who are contemplating IT-change to improve efficiency and service delivery in the public sector of Ghana.

The paper proceeds by first making a case for GCNet introduction at CEPS. A brief outline of the undercover investigation, which is the core reference data with specific reference to the GCNet IT-change and operation at CEPS, is provided. Subsequently, the “enemies of the nation” documentary narrative and video is juxtaposed with IT-change implementation in organizations with specific reference to the GCNet implementation problems at CEPS. All this is framed conceptually in the constructivist paradigm to help the reader appreciate better the dynamics involved in the GCNet IT-change implementation at CEPS.

GCNet Technology: the case for introduction at CEPS

This section leans heavily on Essabra-Mensah’s (2010) interview with a key official of GCNet Ghana. We learn that the GCNet as a company was incorporated in 2000 as a private-public sector partnership with stakeholders including CEPS (who are the managers of the system); Ghana Shippers Authority; Ecobank Ghana Limited; Development Finance Holding (a subsidiary of Ghana Commercial Bank); and Societe General de Surveillance. The Ghana Community Network Services (GCNet) is essentially an electronic transaction system for processing trade and customs documents. It is a $25million investment spearheaded by the Government of Ghana to ensure domestic revenue mobilization and enhancement. This system aims at fully computerizing the operations of CEPS so as to eliminate bureaucracy and to reduce the period for clearance of goods to enhance revenue collection. Its operation is intended to address the issue of under-invoicing and the influx of illicit goods into the country. Its services, we are told, covers about 98% of all customs related trade including imports, exports, warehousing, free zones and transit transactions country wide. The system
processes trade and customs documents, recording the results of this validation and processing and its related duty and tax payments. The verdict is that the investment in the GCNet technology over the years has made a significant improvement in revenue collection at all collection points connected to the system, thereby plugging most sources of revenue leakage and augmenting transparency of operations. This case is yet one more example of business process re-engineering and integration of income tax and value added tax administration.

The GCNet is constituted into two aspects: the Ghana customs Management System (GCMS) and the Ghana TradeNet (GTN). The GCMS provides CEPS with a fully integrated computerized system for the processing and management of customs declarations and related activities. This system works in an Electronic Data Interchange (EDI) environment, where manifests and custom declaration are electronically received and automatically processed. This has enhanced the revenue mobilization benefits of CEPS. The Ghana TradeNet, on the other hand, is a platform that enables GCMS to share data with the various parties involved in the processing of trade documents and customs clearances. This achieves the benefits of transparency and avoidance of doubts.

To indicate faith in this technology the Management of GCNet promise to continue to invest in this cutting edge ICT infrastructure in terms of both hardware and software to ensure that its operating systems are stable, reliable, and secure to meet its high operational standards and requirements, to help Ghana become one of the most efficient countries in Africa with regard to import and export valuation and clearance at the ports and also effectively monitoring clearance of goods in transit through various countries. The understanding is that investment in ICT infrastructure will deliver excellent services.

To say that the operation of the GCNet is a hallmark in the port management industry in Ghana is an understatement. But the larger picture is that the GCNet is an attempt to implement advanced technology in an organization through inter-organizational network of implementation with CEPS officers, Destination Inspection Companies (DICs), Importers and Clearing Agents. The “enemies of the nation” documentary even though a brilliant piece of undercover investigative journalism about the GCNet operation by Tiger Eye presents a simplistic picture of the issue.

**Tiger Eye undercover investigations of GCNet at Tema harbor**

This section constitutes the principal data for analysis for this paper. This data will be juxtaposed in social constructivist analysis of IT change in organizations in a subsequent section.

Per “enemies of the nation”, over the years even with the GCNet, Tema harbor has failed to meet its potential due to serious leaks in revenue collection occurring such as: under-declaration; misclassification; under-valuation of imports; deliberate concealment or smuggling; and acts of negligence and collision. Interestingly, per the video evidence, these apparently also are the major sources of leakages on the GCNet electronic system between CEPS officers and importers. “As concerned citizens, Tiger Eye set out to discover the truth and uncover the faces behind what had always been an open secret”. This Special Investigative Team (SIT) targeted the Jubilee Warehouse, the Atlas Container Station, Tema Container Terminal, Tema Bonded Yard, ATS, and other strategic areas of the import areas of the harbor. Of the four teams with specialized investigative skills deployed, the Scorpion Team of the Tiger Eye Company focused on the GCMS component of the electronic system—which is a data base of the description of valued goods which have landed and their respective taxes paid. As indicated already, this electronic system is the repository of all transactions
engaged in by both genuine and dubious persons across the length and breadth of the country. The documentary indicates that it is only a select few who know the secret and can interpret the electronic system. The Scorpion Team found out that some of the officers who were supposed to operate this very important system do not seem to understand it fully and that there were several occasions where senior CEPS officers operated the electronic system to cheat the state knowingly or unknowingly. According to the video, some officers do not even know how to log into the system and therefore decided to work manually, with all the opportunities for fraud with the collaboration of importers and clearing agents. Incidence of tax evasion occurs through practices such as abuse of the “permit system”, fake invoice values, a deliberate no corresponding data on the electronic system relative to the specific imports, evading taxes through direct sale of imported goods which are claimed as raw materials into manufacturing processes, diversion for sale on the local market of transit goods meant for other ECOWAS countries.

Bottom-line: the electronic system is usually circumvented by so-called dubious CEPS officers to help importers escape paying taxes to the state which end up in their pockets. According to the Tiger Eye Scorpion Team, many more examples of deliberate manipulation of the system to cheat the state through tax exemptions and unrecovered debts owed the state by some companies and other CEPS officers exist on the electronic system. This runs into billions of Ghanaian cedis. The president’s comment about these people in CEPS was: “are really working against the economy”. The outgoing World Bank country director in Ghana had this to say: “many taxes go uncollected” in Ghana and this is a sign that the country is not doing well especially when Ghana is on its way to become free of foreign aid in a few years”. Without question national development agenda suffers because of this loss of revenue. There is no question that revenue leakage is a problem of corruption. Interestingly, a suggestion to check the revenue leakage and abuse on the electronic system is that it needs to be cleaned, including a timely and constant update on the exemption list. But this does not however address the problems of purported collusion between some CEPS officers and DICs for deliberate misclassification and willful overlooking of under-invoicing. The larger question is what better ways exist to police the “watchman” (the electronic system)? Could the watchman tamper with the system to the detriment of the state? We are told a story about a staff of GCNet services in the documentary who at one time was reported to have deleted names of companies indebted to the state from the electronic system - all for purposes of tax evasion.

This is yet another occasion for questioning the wholesale faith in technological determinism. Technology change and efficiency gains relationship may not be direct. There are several mediators. One such is the human interpretation of the GCNet technology. This thinking is well grounded in the symbolic interactionist /social constructivist sociological approach. This paper employs this framework to understand GCNet and “enemies of the nation” saga to indicate how different organizational stakeholders make sense of the technology in terms of their own self-images and visions of themselves.

The next two sections, lay the issues raised by the GCNet at the Tema harbor per “enemies of the nation” documentary in terms of dynamics of IT- organizational change with the help of social constructivist lens that speak to the fundamental issue at stake in “enemies of the nation”. The narrative of sabotage of the economy of Ghana by CEPS officers mandated by law to collect revenue at the Tema harbor that seems to characterize “enemies of the nation” might be an over-simplification. This paper shuns the obvious. It pays attention rather to the dynamics involved in advanced technology diffusion in organizations. Technology is both an outcome and a process. Too much is made of the outcome- the installation of the equipment
The artifact definitely will provide structure such as new ways of doing things. But technology does not become what it is called unless it is used, and usually it is the users who define or determine its use. The GCNet as a technology to bring about change at CEPS for improved operation of customs duties assessment and ease of goods clearance achieves its intended purposes only to the extent that its users appropriate it. In the process users infuse the technology with their own social constructions. The next section provides an overview “technology” as a construct.

Definition of technology in organizations
The GCNet is a technology, an advanced one as that. Technology is a key variable determining performance in organizations whether in private, public, and not-for-profit organizations. It is cited as one of the mega-trends (Naisbitt, 1982), at least, the new information communication technologies, which is helping to transform societies. It has Greek roots, originally used to refer to the “skill of the artist” (Hatch, 2006). Modernists formulate technology as possessing objective features: as tools, equipment, machine, and procedures through which work is accomplished. Organizations in post-industrial era view technology in symbolic terms as socially constructed, hence technology is not just physical objects and equipments, but symbols and root metaphors. It is not just activities, but actions and interactions between people and technology; it is not just knowledge but interpretation, so it is open to many possible interpretations. It is not pure application of science, but mirrors complex social trade-offs. The users’ social and cultural influences do influence the success of technology adoption and diffusion even as technology influences society and culture. Non-managerial employees can resist control via sabotage of the technology or non-responsive, or even not change their entrenched values. Groups may appropriate technology through a variety of “appropriation moves”, for example by directly using technology’s structures, or making judgments about them; they may appropriate technology faithfully or unfaithfully; they may appropriate the features for “different instrumental uses or purposes”, and display a variety of attitudes, such as comfort, respect or challenge the structures. The following works that conceptualize technology as both structuring and being structured by users’ interpretations are seminal (Giddens 1979; Poole & DeSanctis 1994, 2004; Orlikowski 1992, 2000; Lewis & Seibold, 1993). Taken together, these works portray technology as consisting of material artifact (hardware & software) on one hand; and coordinated social/human action on the other. In other words, we do ourselves good if we distinguish between technology as an artifact and technology as practice. It is only then that we can say technology structures are rather emergent, not embedded. In the constructivist approach, deterministic causal assumptions need to be replaced with emergent causality. In other words, the techno-centric view of technology take a back bench, and the social aspects become a front bench because groups mediate technological effects, adapting systems to their needs, resisting them, or not using them at all.
I relate briefly IT-change and organizational productivity as a theme.

IT-Change and Organizational Productivity
The role IT-change plays in transforming organizations is well documented (Robey & Sahay, 1996). Advanced technologies have become the innovations of today’s world and being developed/designed, sold, and implemented in all facets of life. Even though technology has always been a part of organizations, the “near consensus” about the role it plays in organizational competitive advantage has been interrogated (Kudyba & Diwan, (2002); Brynjolfsson & Hitt, (2000); Hitt & Brynjofsson (1996); Brynjofsson (1996). Firms today
invest substantial amounts of money in advanced technology. According to the Economist (1996), American service sector companies spent over $100 billion on hardware, and almost 40% of United States capital spending in 1991 was used to acquire IT. In 1996, American banks alone spent almost $18 million. And usually much of this investment is directed at modifying office work, and improving productivity (Applegate (1998); Brandt (1994); Drucker, (1988, 1993). Yet, many authors claim that the benefits of IT are disappointing at best and that IT spending has failed to yield significant productivity gains—hence the productivity paradox (Barua et al 1991; Franke, 1987; Loveman, 1988; Parson et al 1990). On the other hand, IT spending has also been linked to significant productivity improvements (Brynjolfsson & Hitt 1993; Osterman, 1986).

Referencing the “enemies of the nation” documentary as the principal data for this paper, apart from the two key considerations for successful implementation of technology which are: design excellence of the artifact on one hand and user acceptance/perceived usefulness/ease of use/user satisfaction/task-technology fit on the other, there must be a third consideration which is ensuring the right incentives are in place so that users have no intention to cheat the system or can never be better off by distorting information (Ba, Stallaert & Whinston, 2001). In other words, organizational incentives may influence user behavior and users’ interaction with the system. This must sure be taken into account in the evaluation of user acceptance of IT-organizational change.

The following issues need to be stressed about technology. That IT is a sociological issue, as it is a technical solution. It can be inherently political in its desirability in terms of winners and losers during adoption. It is a main force of organizational change. Adoption criteria and decision, and user responses may not be on purely rational or efficiency calculus, but isomorphic and personal. Most IT failures have more to do with psychological and organizational issues than technological issues. Therefore merely focusing on the technical soundness of the IT-system that is installed and the presumed benefits to employees and the organization as a whole may not be sufficient. Rather, the input requirements of users in terms of their support, commitment, and skills for achieving the corresponding needs fulfillments has to be considered. An approach to IT-change that de-socializes technology creates a problem. IT as socially constructed (Berger & Luckman, 1966) through actor networks has received prominence in the literature (Braa et al, 2004). In other words interactions with social agents (organizational members) control the technologies and their effects, and that attitude toward and uses of IT converge in social systems. It is natural for technology to be interpreted in multiple and perhaps conflicting ways. There is the sense that full advantages of IT are not likely to be realized unless both the IT and the organizational context are adapted during implementation (Lewis & Seibold, 1993).

The social constructivist theoretical framework is outlined in the next section as a sequel to analysis of findings in the video data presented in the “enemies of the nation” saga.

Social construction
Reference to GCNet and GCMS introduction at CEPS per data from the “enemies of the nation” was made. Popular accounts put it at revelation of corruption and fraud by CEPS officers. The issue goes beyond that. Social constructivist analysis of epistemology, organizational and IT change (Berger & Luckman, 1966; Gergen, 1985, 1989, 1994; Schulz, 1967; Garfinkel, 1967; Ricoeur, 1981) offer many more and better explanation of the underlying issues involved in the GCNet change at CEPS and the revelations by Tiger Eye.

So what is social construction? In terms of epistemology, social construction contrasts with logical positivism and rationalist philosophy. The constructionist turn on knowledge
emphasizes the socially mediated basis of knowledge source. That is, knowledge is much social as it is rational and empirical. According to Osei-Hwedie (2009) a key element of social construction is language. One has to understand the obvious: language is the key ingredient of discourse and conversations in which people in relationship engage in. Stretched further, it implies that meaning/reality is produced in a relationship of people, and with language as the main vehicle. The constructionist epistemology attempts to fill the gap of inadequate explanation of what constitute knowledge or reality focusing rather on the role which language/dialogue/conversations in relationships play in establishing knowledge and reality. It is also an interpretivist paradigm which challenges the reduction of science to extreme logicism or rationality. Berger and Luckman’s (1966) work on social construction is seminal in this regard, that institutions are socially constructed. Kenneth Gergen is another champion on social construction. For him language/words acquire meaning through its/their use in socio-linguistic practices. In other words, words do not have independent meaning outside a context of social practices, rules, and conventions. For Gergen then, it is the context that gives a word or action a function within a relationship.

The next sections try to relate these concepts to organizational management, organizational change, IT-change, and more specifically to interpret GCNet IT-change at CEPS. Let us just say that by now the social constructivist paradigm has been rendered. We then apply its insights to better understand the underlying issues involved in the Tiger Eye documentary dubbed “enemies of the nation”. Immediately, I review social construction and organization change.

**Constructionist organizational Change.**

For constructivists, real and sustainable change comes through talk, not necessarily through action. Unfortunately, traditional models of change (Lewin’s unfreeze-move-refreeze; Kotter’s urgency of change etc) privilege action, they see change as getting things done...at the expense of talk.

The constructionists emphasize social technology as the vehicles to effective change management. The constructivist logic of change is “attraction” rather than “replacement” or “contradiction”. For change to occur or produce desired results we need both active participants who see the change agents as offering an attractive plan rather than change agents “coercing” targets to accept their plans. The constructivist epistemological and ontological shift make organizational change less positivist (Woodman 2008), more subjective, but not anti-positivist. The essential point here is that behaviorist/positivist; and cognitive/rationalist perspectives of change offer limited understanding than “discourse” analysis (Tsoukas 2005). For behaviorist, change is episodic; objects exist in a natural state of stasis from which they move after external force is applied to them and to which they turn. For cognitivists, mental processes are the key to understanding organizational change and behavior; to get people to change human behavior is to get them to think differently; by changing their minds behavior will follow. However, the discursive/constructivist perspective opin that organizational change is the process of constructing and sharing new meanings and interpretations of organizational activities. Real change is produced through the ways people talk, communicate, and converse in the context of practical activities, and collectively reassign symbolic functions to the tasks they engage in and the tools they work with. In this line of thinking it should be possible for the same intervention to be interpreted quite differently by its various constituencies, who ascribe divergent meanings and value even to ostensibly mutually beneficial activities. The discursive/constructivist turn allows us to understand why.
The next section reviews the constructivist perspective in the interpretation of advanced technology adoption generally.

**Social Construction of Advanced Technology Adoption in Organizations**

This section applies the social constructionist idea that discourse creates change to interpret IT diffusion in organizations. Before that, I note the transformational potential and power of IT in organizations.

Technology has always been a part of organizations either in terms of its use in operations or the material artifacts or in terms of organizational knowledge and innovation. Technology has been regularly proposed as a major influence on organizational phenomena (Hunt, 1970) in terms of its determinacy of: work behavior; organizational structures; and processes of organizational interaction. It is cited as part of the variables affecting organizing capacity. It is seen as playing a key role in organizational competitive advantage in today’s turbulent business environment where “cost” and “differentiation” strategies hold key to performance. It is therefore not surprising to see a growing reliance by business operations on IT and the increasing massive investment in implementation of IT-change solutions in the organizing processes of organizations, hence the mimetic diffusion/adoption of IT–change programs is understandable.

However, the evidence is mixed (Brynjolfsson & Hitt, 1996) in terms of hypothesized benefits accruing to organizations when their operations become IT-integrated. The key issue, which is often glossed over is: how does the organization effectively achieve/deploy/leverage its IT capability or resources to shape and support its business strategies and value chain activities? An attempt to address this issue draws attention to the consideration of social dimensions that influence the alignment between business and IT objectives. In other words, the shared domain of knowledge between business and IT executives, the communication between business and IT executives, and the degree of mutual understanding of current business objectives and the congruence of IT vision between business and IT executives will be key (Reich & Benbasat, 2000). This important constructionist perspective is often ignored in favor of the “technological imperative/determinism” theory of IT–change.

For the constructionists, IT becomes both the knowledge to do and the interpretation of that knowledge by users. This view sees IT not only as deterministic of structure, but also that IT is structured by social and economic factors in the environment that conceptualizes it. Design change will be made according to the interpretations given to the needs of users and social groups. The meanings then given to IT and the interpretations offered when resolving IT problems have just as much influence on the effectiveness of technology. The point being that users’ social and cultural influence will influence the success of IT change and adoption, even as technology influences structure/behavior.

The work of Gopal & Prasad (2000) especially draws attention to how challenging it is to deploy IT effectively. They remind that there is no fixed reality of IT use. They advise change agents to be sensitive to the processes by which people make sense of the experience of using IT in a social context so as to discover their non-technical “thick descriptions” of organizational phenomena in IT change over. They surmise that technology simultaneously holds different meanings for individuals and groups in organizations. The utility of their model of social construction of IT is to explain what IT represents to people and how these representations shape/influence their interactions with IT, going beyond the rational/economic/instrumental view of IT, to the expressive view of IT by paying attention to what users talk about in groups in terms of their assessments of IT-change programs.
For IT-constructionists, IT is an object that has no intrinsic meaning separate from the meanings people/users assign to them in the course of their everyday social interaction. The meaning of IT then is in the social situation. The symbolism of IT then determines/influences the process of implementation of IT-change. IT-change is therefore an enactment, requiring understanding in terms of how different users regard and appropriate it.

Social construction of IT means that there will be multiple local meanings of IT change, and the crystallization of these meanings will subsequently influence organizational level action. For Prasad (1993), IT can be experienced pragmatically (as efficient and linked to organizational survival); pessimistically (IT as negative, alien, hazardous or robotic); or romantically (IT as fun and play). He notes that much of these identities/experiences of IT are a function of socio-cultural influences, managerial pressure, and local institutional forces shaping their conceptualizations and sedimentation of meanings. In most cases the symbolism helps to create a favorable or unfavorable climate for the reception of IT, and as a result determine the level of resistance to adoption and change.

For IT-change to be sustainable, and implemented to change the organization, other scholars as Heracleous & Barrett (2001) conclude that organizational leaders should go beyond what change agents and designers of IT say about the intended implementation of a specific IT-system, and attempt to understand the deeper values and beliefs of those users/targets that are enshrined in the group’s discursive structures, because these are what persist over time and guide users’ interpretations and actions. Change agents are encouraged to appreciate users’ competing and divergent perspectives, all of which may nonetheless be legitimate from their own points of view. Not surprisingly, most IT failures have had more to do with psychological and organizational/social issues than technological issues. In other words, IT change and IT usage have a symbolic character, which defies economic rationality.

In sum, IT is socially constructed through actor networks. Theories as proposed for social constructionist view of IT entail that the interactions with social agents (organizational members) control IT and its effects, and that attitude toward and uses of IT converge in social systems. IT is both a cause and a consequence of structure. Users constitute and give meaning to IT, hence work group IT attitudes will be a positive predictor of IT for individuals who exhibit a high attraction to the group, the point being that work group-based social influence explains unique variance in individual attitudes and behavior towards IT-acceptance/use. Social influence processes in organizations are highly political, which are brought to bear on the dynamics of IT-acceptance, hence it pays to focus more attention on the narrative side of IT implementation in order to understand the different group narratives with respect to use of IT by staff (Brown, 1998). Those workers in a group that are curious may see IT as fun and play, and hence influence their attitude and commitment to it and its use. On the other hand, those workers that see IT as a drudgery may seldom use it, will not learn/invest in skill acquisition or obtain competency in IT. In the end, it is how their realities are constructed, no matter the effort IT-change agents and technologists try to structure things for the users of IT. The technologists may design the artifacts, but the real actions happen at the recipients’ end where the interpretations of the builders of the artifact are constructed, exchanged, negotiated-to form actions during use of the artifact. The meaning of IT then comes during IT-use, negotiated through the various constructions of users. The meaning of IT then cannot lie outside its use.

The section interprets the “brouhaha” of the “enemies of the nation” saga in the light of constructivism.

Constructivist interpretation of GCNet saga at Tema Harbor
By now the constructivist perspective on IT-change is clearly established by the comprehensive review of the literature. Relating it to interpret the GCNet IT-change saga per “enemies of the nation” should provide another interpretive lens. Fact is, in spite of the claim and the touting of the installation of GCNet and GCMS electronic systems as a positive change project to help optimize revenue collection at Tema harbor per the “enemies of the nation” documentary, the saga was about public officers conspiring or collaborating with importers and clearing agents to sabotage the IT-change. In other words, a logical inference from “enemies of the nation” documentary was the exposure of corruption in revenue collection through willful misclassification of imported goods by public officials. The very nature of IT-organizational change should lead to an alternative conclusion. IT change is complex; implementation failure is very high; and usually users’ social constructions of it cannot be ignored. As indicated elsewhere, it is a mistake to view the GCNet purely as an exogenous intervention in CEPS operations. The GCNet implementation is also going to be structured by social and economic factors in the environment. The custom officers will give it their own interpretations. The key question is whether their interpretations and meanings will coincide with the GCNet designers’ interpretation. Fact is, in IT-interventions users’ meanings-in-use vary. This means the extent of faithfulness-of-fit will depend on the extent of the variations in meanings of users and designers of the artifact. IT can’t just be the artifact; IT is interpretation too. Hence, apart from the instrumental view of IT, attention should be given to what they talk about and feel about the IT- because what they talk about or express about the artifact is what informs what their actions will be as they work with the artifact. Therefore, before contemplating an IT-change in organization, and in order not to be disappointed with outcomes, change agents will do themselves a favor by getting consulting help from organization development experts skilled in IT-diffusion and adoption. Significant failure exists with IT-change the world over. This is due to its nature. This fact has to be noted. Users of IT adapt technology structures based on their own conceptualizations and motivations. What underlies “enemies of the nation” saga relative to GCNet IT-change at Tema harbor goes beyond just fraud discovery. It goes to the heart of the nature of IT-organizational change, and the constructivist organizational change models and perspectives help to analyze, explain and understand. Fact is that GCNet technology to promote efficiency and effectiveness in revenue mobilization is a desirable IT-change, but desirability of IT-change is a social construction. Those caught undermining its operation at the Tema harbor at least have their own meanings and understanding of it. GCNet for them is “drudgery”; it’s alien; it’s frustrating; does not help them to fulfill their personal economic goals. Therefore, in spite of the rational arguments for its installation, the rational deductions will not necessarily be the meaning-in-use for the public officers who will come into contact with it as the roll out takes place. So, IT-change managers will have to invest more about change management as they do in the IT-artifact itself, as these clients prepare to absorb IT into their structures and cultures.

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PLANNED CHANGE IN A CHINESE COMPANY: A PARTICIPATORY ACTION RESEARCH APPROACH

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ABSTRACT

Opportunities continue to open up for researchers to partner with organizations around the world, allowing them to learn and contribute to the overall body of knowledge in academia. The purpose of this paper is to offer a reflexive view on participatory action research (PAR) and the challenges of outsider researchers from the United States working with Mainland Chinese insider participants as they worked together to improve and sustain a company’s knowledge on planned change and organizational development (OD). It documents the process followed and the researchers’ observations during the PAR project to transform the company from a silo-based organizational culture to one of cooperation and collaboration. Additionally, it addresses the importance of having a clear contract with all participants as a success factor. Despite the positive impact researchers might have on the organizations and research, they also experience the reinforcement of some old lessons regarding trust and cooperation.

Key Words: Planned Change; Participatory Action Research; Organizational Development

INTRODUCTION

Imagine traveling across the world for a once in a lifetime opportunity to partner with a group of talented employees of a highly successful company in Mainland China. However, after the initial excitement and energy upon arrival, what promised to be a rewarding partnership turned into feelings of frustration and a sense of failure. As more opportunities occur for researchers to partner with organizations around the world to learn and contribute to the academic body of knowledge and to the organizational stakeholders they are partnering with, they are also experiencing the reinforcement of some old lessons.

This paper describes researcher observations and personal learning that might help other researchers as they conduct participatory action research (PAR) in China. This research project used a PAR approach with the goal of producing practical, sustainable knowledge for the company to use in the conduct of their daily business (Reason & Bradbury, 2004). A successful partnership in any culture requires mutual trust and respect, a shared set of expectations, and active participation from the members of the partnership. Partnership is a key success factor for action research. However, during the project, the researchers experienced limitations in the use of the PAR processes and expected outcomes in the context of their study, even though the methodology was specified during the initial project proposal (J. Preston & K. Wall, personal communication, November 3, 2009). These limitations are attributed primarily to an underdeveloped partnership. This paper documents the process followed and the researchers’ observations during the PAR project intended to transform the company from a silo-based organizational culture to one of cooperation and collaboration by creating an organizational network.

Project Background
The purpose of this project was to work with the Human Resources (HR) department of the Nian Qing Company (a pseudonym used at the company’s request) to improve the company’s profitability through process development. The research team consisted of two professors and nine doctoral students from several doctoral program cohorts from the Colorado Technical University Institute of Advanced Studies. Prior to the project start, the research team received a list of specific areas of concern and questions from the Nian Qing Company from HR members who identified areas of improvement to support the company’s goals to achieve higher profits and performance improvements (Figure 1).

<table>
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<th>No.</th>
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| 1   | As the only department in charge of organization development (OD), we are establishing a set of regulations and policies concerned with OD. Can you provide some information to address such as:  
  - The criteria to set up a department  
  - How to define a position |
| 2   | How to develop manpower planning in the fast moving consumable goods (FMCG) organization with most employees being highly intellectual staff? |
| 3   | How to build a matrix organization structure and avoid matrix problems to enhance horizontal collaboration among different departments? |
| 4   | Could you introduce business model and organization structure of multinational FMCG companies? What can we learn from these companies? |
| 5   | How to encourage innovation in the organization from an OD perspective? |

Figure 1 – Excerpt from initial Nian Qing Company questions

**Action researchers**

We were both educated in the U.S. and worked closely together for the previous two and a half years prior to this research project as a result of being in the same doctoral cohort. Neither of us had visited China, but both have traveled abroad (primarily to Europe) for both work and pleasure. Our professional experiences include accounting, software engineering, management, and higher education teaching. Neither of us speaks or reads Chinese.

We were motivated to work with the Nian Qing Company for two reasons. First, we appreciate the value of action research with its focus on partnership and collaboration in generating ideas and guiding sustainable change. Second, we felt the project would be a valuable opportunity to work with a successful company in China to learn about its culture, organization, and challenges.

One of the challenges for both of us was adopting the role of external process consultants (Schein, 1999) instead of expert consultants. Both of us have worked as expert consultants, but had little experience as professional process consultants. The members of Nian Qing Company were used to working with expert consultants and expected a similar working relationship with us. We relied heavily on our experience from a previous appreciative inquiry research process-consulting project in which we collaborated with an organization to identify and leverage its strengths and positives.

**Nian Qing Company**

Nian Qing Company is a medium-sized company with headquarters in Mainland China, primarily serving the Chinese market. Expected revenue for the fiscal year ending December 31, 2009, was approximately 7 billion RMB ($1 billion USD). The company participates in activities such as product branding, marketing, R&D, design, manufacturing,
distribution, and retail. The Nian Qing Company’s products include footwear, apparel, equipment, and accessories for sport and leisure uses. During the previous five years, the company acquired companies and entered into joint ventures and license agreements with other international companies. In addition to its Mainland China operations, it has other locations throughout South Asia.

**BACKGROUND AND LITERATURE REVIEW**

This section examines the current literature on Chinese business culture and PAR as a methodology for planned change. In addition, organizational structures that facilitate change and increase collaboration within an organization are reviewed as they are used in China.

**Chinese business culture**

According to Wall, Preston, and Runrong (2009), understanding Chinese business culture is imperative when working with Chinese companies. The concepts of face and guanxi strongly influence Chinese business (Wall, et. al 2009; Vonhanacker, 2004; Cardon & Scott, 2003). The concept of face is based on the development of personal relationships and the value of networks in Chinese society and business; it is a strong behavioral driver in Chinese companies (Cardon & Scott, 2003). If an employee causes his or her manager loss of face, the employee risks retribution or disgrace by the manager. Guanxi, like face, is based on relationships and networks and is considered a critical foundation of Chinese business culture because relationships are required for deal making (Vonhanacker, 2004).

Another important factor in terms of understanding Chinese business culture is the general fear of change. Woo (2008) cited the employee’s fear of changing work practices as a negative factor in a case study of an organizational structure change in a Chinese company. When promoting innovation in Chinese companies, Wang, Guidice, Tansky, and Wang (2009) recommend that an employee’s reward structure should be focused on valuing creativity and innovation instead of punishing failure.

**Planned change**

Kurt Lewin’s planned change model is considered the traditional model for single organization change in organization development and change (OD&C) (Cummings & Worley, 2009). Change models are based on the premise that change occurs as part of a discrete process (Greenwood & Levin, 2007; Burnes, 2004). Schein (1999) noted two important elements in planned change necessary for the model’s success: the critical role the change agent plays in the process and the importance of understanding the organization’s culture.

A challenge of planned change in OD is developing a structure that will facilitate the change. One type of structure is organization networks. A network is a group of independent or autonomous organizations that affiliate to work toward a common goal (Chisholm, 1998). Types of networks include those that support trust, share information, and provide authority (Stevenson, 2003). Structural embeddedness in a network organization represents the depth of ties between the members of a network, enables the network members to develop trust, exchange information, and collaborate on problem-solving is essential (Stephenson, Bartunek, & Borgatti, 2003). Gaps in the embedded structure may lead to structural autonomy and silos that allow actors to gain power in an organization (Stephenson, et.al., 2003).
Mintzberg (1980), on the other hand, describes a matrix organization as an effective structure to facilitate coordination of functional specialists on small teams to address complex issues. Cummings and Worley (2009) view a matrix organization as a structure conducive to product or project management, characterized by a vertical organization overlaid with a lateral structure to facilitate cooperation and collaboration between organization groups or units with the team members reporting to more than one boss. The advantages of this structure are that it facilitates knowledge sharing across the organization or project, shares specialists from the organization’s departments, facilitates communication between department managers, and can balance power between organizations and departments (Cummings & Worley, 2009; Strikwerda & Stoelhorst, 2009; Wellman, 2008). The disadvantage of this structure, though, is the difficulty of managing it because confusion often arises from reporting to more than one boss and inter-departmental or functional conflicts may occur (Cummings & Worley, 2009). Strikwerda and Stoelhorst (2009) believe a matrix structure supports resource sharing, but they identified another organization form that addresses the lessons from the conflicts characterized by matrix organizations, multidimensional organization (also known as the multi-unit or M-form). This structure is suitable for a complex, independent organization that operates in interrelated markets and can benefit from a knowledge-driven culture (Strikwerda & Stoelhorst, 2009).

Some Chinese action research studies identified factors that enabled a matrix organization structure to succeed. Woo (2008) examined the use of a functional matrix organization for project management for a Mainland Chinese company and found the structure allowed for successful coordination between managers without causing serious management or Chinese cultural conflicts. Liu and Pan (2007) found in their action research study about implementing an Activity Based Cost (ABC) system in a Chinese company that a matrix project team structure is effective with top management support, external consultants are engaged to facilitate the process, and a participatory approach is used throughout the project’s life cycle.

Another Chinese action research study identified the importance of a strong project contract, a boss with motivational skills, and a clearly defined reward system (Davison & Vogel, 2000). Research has shown a key consideration in matrix organizations in China is the importance of preserving Chinese management characteristics such as employee relationships, organizational loyalty, the organization’s hierarchy, face, and guanxi (Woo, 2008; Vonhanacker, 2004). If the matrix project management structure changes reporting relationships for the project, the project organization structure should be disclosed and explained to the project members (Woo, 2008). Lastly, the financial resources for the project need to be identified at the onset of the project and assigned to the project participants (Woo, 2008).

**Participatory action research**

Action research (AR) is a methodology that uses action and research to develop practical outcomes to facilitate change, characterized by an evolving process that uses individual and community inquiry to build knowledge to empower the participants to be able to create knowledge (Reason & Bradbury, 2004). A cyclical process of inquiry, action, participation, and reflection is followed to develop knowledge and to facilitate organizational change. The key element of AR is the collaboration between researcher and participants to create new knowledge and learning with the objective of using that knowledge to change or develop the system (Lewin, 1946). Action research types are social, organizational, innovative, and participatory. Participatory action research (PAR) focuses on the development
of practical knowledge to advance and liberate understanding and learning (Reason & Bradbury, 2004).

Action research is not widespread in China because organizational development as a discipline is not widely recognized or practiced in the country (J. Preston, personal communication, November 12, 2009; Hughes & Yuan, 2005). There is limited literature in English addressing Chinese PAR research studies (Davison & Vogel, 2000; Hughes & Yuan, 2005; Lin & Pan, 2007). Hughes and Yuan (2005) examined the overall status of action research in China and found the approach is an attractive research method as the country moves from a planned economy to a planned socialist market economy as its companies strive for growth and success. Hughes and Yuan (2005) also noted that a challenge for action researchers is to help the Chinese develop their own action research models.

RESEARCH METHODOLOGY

This section focuses on the research, experiences, findings, and learning from interactions with our Nian Qing Company partners (company partners).

Data collection, analysis, and interpretation

Two weeks prior to the start of the project, we initiated e-mail contact with our company partners to introduce ourselves and to learn more about the organization. Our company partners immediately replied suggesting a Web-based conference. Our team, along with one other research team member, conducted the conference with one of our company partners who gave us a general overview of the company. This initial contact helped us understand the organization’s structure and goals and eased our anxiety about the project. However, we had mixed feelings regarding their expectations. We interpreted a sense of respect for us based on the specific questions they asked (Figure 1), but we felt they were looking for expert rather than process consultation.

When we arrived at Nian Qing Company, we met with members from the company’s HR department and began discussions with our company partners. The Nian Qing Company HR members spoke English well. The field research for the project was conducted in Mainland China at Nian Qing Company’s headquarters for one and a half weeks in November, 2009.

We conducted interviews and observed some of the daily activities of our partners at Nian Qing Company each day. The interviewees were selected by the Nian Qing Company based on their role within the organization and their ability to speak English (Judy, personal communication, November 3, 2009). Most interviews were conducted in a common HR meeting area or in conferences rooms, typically at the request of the interviewee. The researchers asked the interviewees prepared questions, inquiry in nature, regarding the organization, the interviewee’s role and responsibilities, and OD issues. We also examined organizational documentation provided by the Nian Qing Company (e.g., company overview, annual company reports, and various HR documents). We documented our observations, feelings, and interpretations in the form of journals and interview notes.

Typically, at the end of each day, we shared our observations with the rest of the research team. This provided the research team a better understanding of the organization as a whole since each researcher focused their time on a specific area within HR. This form of peer debriefing provided a form of validation with regard to the accuracy of the observational data (Creswell, 2003).
We also conducted preliminary data analysis each day. The data analysis was based on our daily notes and reflections. This initial data analysis was essential to help us identify further areas for inquiry and understanding. This reflection of our observations and interpretations was essential for us to understand and to focus our conversations with our partners. Finally, we used member-checking with our research partners to review our overall findings to ensure the accuracy of our qualitative data observations (Creswell, 2003).

Limitations and observations

We encountered several challenges during the project. Our primary limitation during this research project was access to our research partners. Although the research team was in China for two weeks, the first part of the trip was reserved for cultural orientation because most of the team members had never visited China. The last few days of the project were reserved for preparing the initial report of observations and learning for the company, which left only five days for PAR activities. We felt pressured by this perceived limitation and did not feel we would have sufficient time to help our partners achieve change during this short time. It took nearly a week before we reached a point in our interaction with our partners where we were having an exchange of ideas and discovery instead of just asking each other questions.

Our research and partnership time was restricted by the lack of our OD partners’ availability. During our initial contact with them prior to our arrival, Art’s enthusiasm led us to believe our partners were looking forward to working with us, which is how we both felt. However, after we arrived in China, this was not the case. On our first day, our OD partners told us they had very little time to spend with us. Although it appeared they were quite busy, we were frustrated they would not make additional time for us since we were in China for such a limited time to help them and at our own personal financial expense. We reacted in almost a stalking manner, attempting to get them to commit to spend time with us and sitting in their meeting area hoping we might catch a few minutes with them. However, we were reminded of Schein’s (1999) go with the flow principle of process consultation, which allows the client to determine when he or she was ready to work. This required a great deal of patience on our part, a character trait that is not a personal strength of either of us.

Another research limitation was confidentiality of information we were obligated to honor for all data collected. In order for us to work with the company, the research team was required to sign a confidentiality agreement. However, despite the agreement, it was apparent to us the OD members we worked with were concerned about how much information they provided us, and more importantly, what we intended to do with the information. We discovered their primary concern was how much their manager would learn about the information our partners divulged to us. They seemed fearful, which was something we did not understand. However, it made sense based on other discoveries during the research project.

On our second day at the Company, during our peer debriefing, one of the members of our research team shared that the company’s employees were punished for making mistakes. In this case, the mistake was related to erroneous information sent to the company’s employees in a company letter. The punishment was docking the employee’s pay (Judy, personal communication, November 6, 2009). The news shocked us. This information represented another bias we brought to the project. While punishment occurs in U.S. companies, we have never heard of a person’s pay being docked based on a single incident. This may be part of the Chinese culture of face. According to Cardon and Scott (2003), when the norm of face
behavior is violated, Chinese businesspersons may shame or punish an individual of lower status.

Initially, when our partners expressed their concern regarding the confidentiality of the information, we immediately thought this was an issue related to trust, and we still needed to build trust in our consultant or insider/outsider relationship (Schein, 1999; Bartunek & Louis, 1996). However, once we were made aware of the incident that resulted in punishment, we interpreted this concern to be beyond the relationship. This might have also explained why we were not given more meeting time; our presence might be perceived as interfering with their daily activities. This fear of retribution, as we interpreted their behavior, remained throughout our research project.

Although our partners appeared quite willing to share information with us under the umbrella of confidentiality, we were somewhat cautious the information they provided us might not be complete or totally accurate; not through malice, but from fear. We also felt they were playing the game of cooperating without fully participating. When we shared the initial draft report with our partners of our observations, analysis, and future partnership, we were asked to remove many of the details obtained during our interviews for fear their manager would find out how much information they shared with us. Particularly amazing to us was that all three members of the OD department were able to meet with us at the last minute to review in detail the draft report, which further supported our interpretation of their behavior as fearful.

Another challenge, as alluded to earlier, was the company’s expectation that we provide expert consultation. This was evident from the questions and areas of interest the company initially presented the research team (Figure 1). Upon our arrival, it was apparent to us our partners were expecting us to provide the answers to their questions such as identifying a competitor’s best practices. This may have been another example of face behavior, which was motivated to impress their bosses with the information they learned from us. In an attempt to structure our project as a PAR, we explained the purpose of AR, stressed that we considered them the experts, and our goal was to discover solutions to their issues together. They still pressed us for answers. The company works daily with expert consultants (Nige, personal communication, November 3, 2009). This impression was reinforced by their repeated request for best practices information about their competitors that they might be able to apply to their own organizations.

**Diagnosis**

In 2008, the company opened a major store and an R&D facility outside of Mainland China, partnered with an international company to collaborate on product R&D, and completed two successful acquisitions/partnerships to add product lines. Its revenue, profit, and assets continued to increase. The company has three primary goals, brand for the future, expand its distribution network and R&D, and improve its supply chain to support future growth (Marian, personal communication, November 12, 2009). Its goal is to become one of the top five global brands in its industry in the next decade (Marian, personal communication, November 12, 2009).

The company’s organization structure is hierarchical with a combination of functional and product-based units (Art, personal communication, November 5, 2009). A CEO runs the company; below the CEO is an executive level comprised of CXOs (e.g., CFO), general managers, and vice presidents. Most of the key leaders are older (late 30s to late 40s) than the rest of the employees, who average 31 years of age (Linda, personal communication, November 9, 2009). Many of the key leaders have been with the company for several years,
whereas most of the employees we worked with had less than four years of service. A few of the employees are expatriates from the U.S. who previously worked for a competitor of the company (Art, personal communication, October 19, 2009).

**Organizational development and change (OD&C)**

In order to achieve its goals, our company partners stated they felt they needed to make changes through organizational restructuring to achieve process optimization (Art, personal communication, October 19, 2009). For example, a year earlier, the HR department was reorganized, resulting in the formation of additional units within the HR (Julie, personal communication, November 3, 2009). HR’s focus is on optimization of internal processes, workforce planning, and traditional HR tasks (e.g., performance management, benefits, etc.) (Art, personal communication, October 19, 2009). The organization development (OD) unit was created (Art, personal communication, October 19, 2009). The OD unit consists of three individuals, none of whom have formal OD training. They spend approximately 30 percent of their time on OD issues with the remainder of their time spent on other HR activities. Their primary challenge is to manage projects through intra-departmental collaboration. They believe if they successfully plan and implement the projects that they can change the organizational culture from one of silo-based to one of cooperation between the various stakeholders (Nige, personal communication, November 3, 2009). According to Nige, the company’s primary challenge is to improve intra-company collaboration when implementing projects by changing the organizational culture from silo-based to cooperation among stakeholders (Nige, personal communication, November 3, 2009).

When we discussed active and completed projects, only one was described as successful. The success of the project was credited to the individual selected to manage the project; the individual had been with the company for nearly 10 years and had formed strong relationships (Guanxi) with the other stakeholders, whereas other project leaders were often individuals hired outside the company for their specific talents (Art, personal communication, November 4, 2009). In addition, this project was sponsored and supported by the CEO, the ultimate power source within the company (Art, personal communication, November 4, 2009). Two forms for power exist within the company, formal and informal. Formal power is defined by the company’s hierarchical organization structure, which the CEO clearly has; informal power is based on the relationships between individuals, which the project leader for the successful project had and the other project leaders did not.

The OD unit is working with other departments to improve the planning and implementation of projects (Art, personal communication, November 4, 2009). They identified the following initiatives for implementation: hold regular meetings with clearly defined agendas, create clear Key Performance Indicators (KPIs) that measure project success using financial and performance metrics, clarify the roles and responsibilities of the project leader and different functional departments, change the company culture to encourage collaboration between the departments via formal announcements (e.g., email), training, and management (e.g., management-level meetings), and provide budgetary responsibility for the project members.

During our research project, we observed several meetings that lasted one to two hours. During most of these meetings, attendees brought their laptops and cell phones and responded to emails and phone calls during the meeting. The interviewees agreed that these meetings were not productive. Even during our collaborative sessions, our OD partners answered phone calls and emails. This will require a significant change, we feel, and will need to start with our OD members as the change agents.
The company uses KPIs to measure the performance of all employees, which is the second initiative our OD partners identified (Art, personal communication, October 19, 2009). KPIs are metrics defined by a company to measure employee performance (Blocher, Stout, Cokins, & Chen, 2008). These metrics can be tied to financial (e.g., revenue goals) or non-financial goals (e.g., customer satisfaction). For example, the company currently uses KPIs to measure performance of their executives against revenue goals (Linda, personal communication, November 11, 2009). Employees receive bonuses for meeting their KPIs. However, failure to achieve a KPI goal can result in employees being penalized financially. Therefore, they were looking at creating KPIs that would hold all stakeholders accountable (Art, personal communication, October 19, 2009). They believe the creation of a collaboration KPI metric would also lead to the clarification of roles and responsibilities for each of the stakeholders (Nige, personal communication, November 3, 2009). Along with this, the company also shifted some of the financial responsibility by allocating the project leader a budget for the assigned project, thereby shifting some control and accountability to the project leader (Art, personal communication, November 8, 2009).

Finally, our partners realized a change in the company’s culture was necessary (Nige, personal communication, November 3, 2009). The steps they planned to take included emailing individuals regarding the goals and expectations of these projects, providing training to the stakeholders to ensure everyone understood their roles and responsibilities, and reviewing the projects during the management-level meetings (Art, personal communication, November 4, 2009). However, as we collectively reviewed their current plan, our OD partners recognized that planned change is complex, requires time and reflection, and they will need to have an active role as change agents.

**DISCUSSION**

Despite some of the limitations we experienced, we successfully began the process of inquiry and discovery to build a framework that supported collaboration within Nian Qing Company. We discussed a possible model for our partners to consider within their headquarters that would facilitate the beginnings of a network within their company. Specifically, we discussed the formation of an umbrella group based on Chisholm’s (1998) model. This network organization structure links the individuals or organization units to facilitate collaboration and cooperation on achieving the organization’s objectives using PAR. It is characterized by the development of relationships among the network members, is self-managed and self-directed by the network members, is based on horizontal rather than hierarchical relationships, and is driven by the shared vision of the members to achieve its goals (Chisholm, 2008).

An umbrella group could consist of two to three members from each of the appropriate departments, coached by an OD member, with a maximum group size of eight. The umbrella group could meet as needed, but for no more than 30 minutes to plan work and then return to their group to accomplish the assigned task. This structure would avoid the matrix problem of having two bosses, but still requires relationship building and collaboration. We also discussed intervention options to improve teamwork and coaching, including future training and workshops.
Participatory Action Research Network Framework

The steps in this framework are planning, implementation, outcomes, and learning and knowledge building (Chisholm, 2008). During the planning phase, the company would select the participants based on their functional knowledge and qualifications to achieve specific project objective(s). The teams would be structured as insider/outside teams (Bartunek & Louis, 1996). The insiders would consist of functional members who have expertise in their units and are members of the organization (Louis & Bartunek, 1992). Based on our initial discussions, for the first project using this model, we would likely include two sets of outsiders. First, the OD department team members who do not have functional knowledge of the projects would facilitate the process. Second, we proposed we participate as outside researchers in a collaborative role to assist our OD partners as they develop the framework, thus maintaining our insider/outside relation with our OD partners.

The planning role represents efforts by the team members to develop a project design and participate in events to achieve building knowledge. Next, the action steps are implemented. Through observation, data is gathered. This step represents the action research element because it includes the process of interpreting the data, reflecting on it, and building learning to develop the next cycle. The implementation step identifies outcomes that are used to compile information that will lead to gathering more data. This information results in learning and knowledge building which continues to grow through each additional cycle in the process. Then the AR data is used to develop organizational change and actions to achieve the network’s objectives.

In order for the Nian Qing Company to successfully accomplish its marketing initiatives and plans for future growth and profitability, we collectively agreed the company must change its culture from an organization based on silos to an organization based on cooperation and collaboration. During our discussion, we also collectively agreed that although the initiatives they identified in hopes to address the current culture were a step in the right direction, a more formal, planned change would be necessary.

As we collaborated with our OD partners, it was apparent they too needed to change their attitude to become effective change agents. As we discussed ideas such as matrix structures or even limiting meetings to 30 minutes, our company partners said these could not be done. As we collectively examined the single successful project to assess why it was successful and how they might learn by using this project as a model for future projects, they said that it was impossible to duplicate the success of that project. However, as Preston (1992) stated, change agents must also be aware of their own blinders resulting from their cultural
values and experiences. Through our collective inquiry and discussion, our company OD partners acknowledged that they needed to change their paradigms and to keep an open mind about potential changes to become effective change agents.

Implications and lessons learned

Although we felt reasonably prepared for our PAR project by researching the current literature in areas of Chinese culture, planned change, and action research, the challenges we faced were more than we anticipated. We believe our concern about the time limitation was valid, but not necessarily for the initial reasons we identified. Our partner’s lack of availability was a critical limitation in our ability to work through the AR cycle and ultimately limited the success of the project (Chisholm, 1998). We attributed this to issues resulting from an underdeveloped working relationship despite our early attempts to establish contact to begin forming a relationship with our OD partners.

The success of PAR regarding accuracy, flexibility, and responsiveness, relies on mutual trust, respect, and connectedness of the participants (Wadsworth, 2001, p. 427; Bartunek & Louis, 1996). Bartunek and Louis (1996) further note challenges with developing working relationships between outsiders and insiders due to experience, perspectives, and interests; and that the greater the differences, the greater the difficulty. Although we believed we achieved some trust between us, as demonstrated by the amount of information our partners shared during our conversations, it was apparent to us that our relationship still lacked mutual respect. For example, our impression was our partners appeared to give the two of us the lowest priority in terms of meeting time; yet, when we arranged for a session to include Dr. Preston, our OD partners appeared more willing to work with us. We believe our partners perceived doctoral students lacked credibility.

Another element that presented challenges in developing our working relationship with our partners was fear we observed during our PAR project. We understood, based on our initial research, the Chinese concept of face, and the importance placed on hierarchical organizational structure. However, upon reflection, we realized we did not fully appreciate how these issues would impact our research efforts. Ultimately, we feel these issues were the result of a lack of a clear project contract with our research partners.

Bartunek and Louis (1996) argue that a somewhat formal contract can establish the beginning a research project, how each member will contribute, and thus form the basis for an effective collaborative effort. A contract, whether written or verbal, would have set the framework for the PAR project. Specifically, we should have collectively identified how we would work together, including allocating time and schedules, and how we would each benefit from the project (i.e., mutually agree on the value of the project). In addition, had we worked through a contract, we might have also identified and addressed potential causes of the fear we eventually encountered, and possible solutions to reduce those concerns. For example, given the hierarchical structure, perhaps involvement of the department or company leadership would have opened the way for additional information sharing and introduced the element of power that is necessary to give importance and success within the company (i.e., executive sponsorship). In addition, we could have identified means of monitoring how the project was proceeding and how members felt about the process (Bartunek & Louis, 1996). A contract would have also addressed the previously mentioned disconnect in partners’ expectations of expert consultation versus a participatory approach.

Many of these issues were addressed during the initial planning, as well as the initial group session, which included everyone from the research team and all the Nian Qing Company HR members participating in the project. However, individual accountability, sense
of ownership, and clear roles and responsibilities did not translate down to individual members during these group settings (Bartunek & Louis, 1996). Thus, it is essential we develop a clear contract between individual partners. Without a contract, it is unlikely PAR projects using an insider and outsider approach will succeed due to the differences between team members, lack of mutual trust and respect, and unclear expectations.

CONCLUSION

Our attempt to design a PAR to change a Chinese company from a silo-based organization to one that effectively uses networks to create an organizational culture of collaboration and cooperation was unsuccessful. As Schein (1999) notes, everything we do in process consultation is an intervention. We believe that despite our challenges during this research project, our partners made progress in achieving their goals. However, this research project reminded us of the importance of building trust, having a clear contract, and the need for researchers to understand the culture of the research organization in order to create a collaborative and truly participatory environment.

REFERENCES


FEMALE AND MALE VALUE ORIENTATION TYPES IN THE AMERICAS: A NEW LOOK
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ABSTRACT
We examined the value orientation types of working adults in Argentina, Brazil, Colombia, Honduras, Mexico and the United States. Respondents from Argentina, Brazil, and the US placed higher priority on personal and moral value orientation types; those in Colombia, Honduras and Mexico on personal and competences value orientation types. Respondents in Argentina, the US and males in Brazil shared a high personal and high moral value orientation type, while all respondents in Colombia, Honduras and Mexico shared high personal and high competence value orientation types. Finally, Brazilian females had a high social and high moral value orientation type. We discuss the implications and limitations of the study and make recommendations for further research.

INTRODUCTION
As barriers to international trade and employment decrease, it is imperative that companies reach a fuller understanding of the values, attitudes and behaviors of their diverse communities of male and female managers, employees, customers and competitors (Leung et al., 2005). Questions of significance to managers and organizations throughout the world include: Are the value orientations of males and females in different countries becoming similar because of globalization of the marketplace? More specifically, are the value orientations of males and females in Argentina, Brazil, Colombia, Honduras and Mexico similar or dissimilar with those of the United States (US) males and females? Yet, we could find little research in that addresses the topic. We fill this research gap by exploring whether male and female values in five Latin American nations are similar or different, and we will compare our results to findings for males and females from the US. The paper is divided into four sections: theory and hypotheses, research methodology, discussion of findings, and limitations, implications for management and suggestions for future research.

THEORY AND HYPOTHESES
Are cross-cultural values and value orientations of females and males similar or dissimilar in the US and Latin America? The topic has extreme importance as companies develop global production processes, hire employees in the global marketplace, and market their products globally (Lenartowicz & Johnson, 2002; Ryckman & Houston, 2003). For example, in discussing gender issues in Latin American, Fox (2006) explains, “we have plenty of stereotypes—but few facts...A failure to understand how women succeed in widely different
cultures puts corporations and educators at a disadvantage in this time of globalization”. Despite the importance of the topic, few studies have explored cross-cultural sex–based similarities (convergence) and dissimilarities (divergence) in the four value orientation types originally proposed by Rokeach (1973, 1979) and more recently adapted by Weber (1990, 1993) and Musser and Orke (1992); even fewer have done so comparing Latin American countries to each other and to the US. We address this research gap by examining the value orientation of male and female working adults in Argentina, Brazil, Colombia, Honduras and Mexico, as compared to those in the US.

Culture
Culture can be seen in the different traditions, language, artifacts, and espoused values of male and female managers from countries (Schein, 1991). Hofstede (2001) calls culture the “collective programming of the mind; it manifests itself not only in values, but in more superficial ways: in symbols, heroes and rituals”. Basically, culture is a socialized set of values, attitudes and behaviors of a particular society, organization, group, or sub-group.

Research indicates that values as part of culture are socialized from the moment of conception, with socialization continuing until death. Children are socialized through the influence of families, friends, significant others, teachers, and organizations, as socialization teaches each person how to behave and succeed in society (Kluckhohn, 1951; Kohlberg, 1970). Throughout the world males and females are socialized to perform different functions in society, with males tending to learn individualistic value structures and females learning collectivistic value structures (Rokeach, 1979). Values, attitudes and behavior interrelate to form a culture, value system, personality or value orientation type (Connor & Becker 2003; Connor et al. 2006; Rokeach 1979, 1986).

Latin American Culture and Workforce
Latin American culture is based on a set of values, attitudes and behaviors that emphasizes the family and close companionship/friendships, what is commonly called a collectivist value structure. Children tend to live longer at home, sometimes remaining with their parents until age 25 or older. The extended family of grandparents, parents, and other relatives are very important in the lives of children (Garcia-Gonzalez, 2002).

Hofstede’s (1997, 2001) studies focused on four primary dimensions of national culture: Power Distance, Individualism, Masculinity, and Uncertainty Avoidance. Hofstede included four of the countries in this research in his studies; he did not survey Honduras. In general terms, the Latin-American countries included in our study have similar profiles along the four dimensions. Mexico has a high power distance (5/6) compared to the Brazil ranking (14), Colombia (17), Argentina (35/36) and US (30) (Hofstede, 2001). This acceptance of high power distance could come from colonialism. For uncertainty avoidance, Argentina leads Latin American countries with a (10/15), Mexico is next highest (18), Colombia (20) and Brazil (21/22), and finally, the US (43) (Hofstede, 2001). This shows that Latin American cultures value certainty in their lives. For individualism/collectivism, the US has an individualism ranking of (1), Argentina (22/23), Brazil (26/27), Mexico (32) and Colombia (49) follow. This suggests that Mexico and Colombia more collectivistic than individualistic, while Argentina and Brazil are more individualistic than collectivistic (Hofstede, 2001). On the Masculinity/Femininity scale, Mexico has a ranking of (6), Colombia (11/12), US (15),
Argentina (20/21), Brazil (27). Again, Mexico and Colombia are grouped together as are Argentina and Brazil (Hofstede, 2001).

Cross-cultural Value Research

Researchers have also examined cross-cultural sex differences in values. Wolin (2003) reviewed the research on sex differences in advertising; Hoeken et al. (2003) explored sex differences in cross-cultural advertising in Europe. Phalet et al. (2001) and Lyons, Duxbury and Higgins (2005) investigated both sex and generation differences. Ryckman and Houston (2003) investigated and found cross-cultural sex differences in the value priorities of American and British female and male university students. Duffy et al. (2006) explored the personal characteristics of successful women as compared to students across the Americas.


Among cross-cultural studies of female and male values, Olivas-Lujan et al. (2009) explored values and attitudes towards women in Argentina, Brazil, Colombia and Mexico, finding that female respondents were more equalitarian in their attitudes towards women as compare to the men in all four countries.

Based on this literature review we can affirm that cross cultural values suggest different types of hypotheses, which could be articulated in a more structural perspective.

Rokeach Value Survey
The instrument used in our research study is the Rokeach Value Survey (RVS). It consists of 36 values that, Rokeach (1986) believed, most societies will possess and, as such, they can be used to explored similarities and differences across cultures and across most demographic sub-groups. The RVS values are divided into 18 terminal and 18 instrumental values. Terminal values are end-state of existence values or the most important goals in the lives or respondents. Instrumental values are the means-based values or the behavioral means respondents might use to obtain their terminal value goals. Terminal and instrumental values are rank ordered in a hierarchy of importance separately, with each person and each society
possessing a unique hierarchical arrangement of these two sets of values from (1) most to (18) least important.

**Value Orientation Typology**

We chose to use Rokeach’s value orientation typology (1973) in order to reduce complexity. In the RVS, one explores 36 values across each culture. For sex differences in six countries there would be a total of 432 values to examine; such numbers would undermine developing a clear portrait of value structures that managers, and even researchers, would find useful.

To create a value orientation topology, Rokeach (1973) categorized terminal and instrumental values into four value orientation types. Terminal value orientation types are personal or social values. Personal values are self-centered and intrapersonal (individualism) whereas social values are society-centered and interpersonal (collectivism). Instrumental values are subdivided into two value orientation types: moral (collectivism) and competence values (individualism). Moral values have an interpersonal focus and “when violated, arouse pangs of conscience or feelings of guilt for wrongdoing” (8) and competence or achievement values have an intrapersonal orientations because, when violated, they cause “feelings of shame about personal inadequacy” (8). Four personal value orientation types result.

Weber’s (1990, 1993) research indicated that people could be classified by their value orientation or preference for personal, social, moral and competence value types. For example, a person could prefer: (1) personal terminal and competence instrumental values or (2) personal terminal and moral instrumental values or (3) social terminal and competence instrumental values or (4) social terminal and moral instrumental values. Weber and his associates (1990, 1993) validated this typology in the US and in several cross-cultural studies. Musser and Orke (1992) extended Weber’s personal value orientation typologies by developing a two by two matrix that classified each person’s value orientation type. We have combined them to form a Value Orientation Typology.

In one of the few non-Western studies using the Value Orientation Typology, Giacomino, Fujita and Johnson (1999) explored sex differences in the value orientations of Japanese managers. Their results indicated that males placed higher importance on competence instrumental values and women placed overall higher importance than males on the social terminals values and on moral instrumental values. Further, the largest percentage of Japanese male (54%) and female (42%) managers were personal and moral focused.

More recently, Murphy et al. (2007) explored Rokeach’s value orientation typology in a study comparing the value orientation types of four Western versus four Eastern countries. Research results indicated that all countries shared High Personal and High Moral primary value orientation types, but Western countries had a High Social and Moral secondary orientation type and Eastern countries had a High Personal and Competence secondary orientation type. Western country males and females possessed High Personal and High Moral primary value orientation types, while males possessed a secondary High Social and High Competence type; females possessed a secondary high personal and competence secondary value orientation type.

In additional Latin American research, Monserrat et al. (2009) explored generational differences in values in Argentina and Brazil. That study found similarities in the values of
working adults in Argentina and Brazil. Greenwood et al.’s (2009) study of males and females in Latin America suggested that males and females in Argentina and Brazil had High Personal and Moral value orientation typologies, much like the US. On the other hand, males and females in Colombia and Mexico possessed High Personal and Competence value orientation typologies.

Murphy et al. (2011) explored value similarities and differences between managers in Argentina, Brazil, Colombia, Mexico, and the Philippines. For value orientation types by culture, managers from the Philippines, Argentina and Brazil were more alike as they were classified as possessing High Personal and Moral value orientations, while managers from Colombia and Mexico were most alike as they possessed a High Personal and Competence value orientations. We expect males and females from Honduras to be more like males and females in Colombia and Mexico as Honduras is part of the northern cone of Latin American countries and, like Columbia and Mexico, have Spanish as their national language and a history of Spanish colonization. As a result of the literature review we developed the following hypotheses:

\[ H1: \] Respondents Argentina, Brazil, and US will possess High Personal and High Moral value orientation types.

\[ H2: \] Respondents from Colombia, Honduras and Mexico will possess High Personal and High Competence value orientation types.

\[ H3: \] Males and females from Argentina, Brazil, and US will possess High Personal and High Moral value orientation types.

\[ H4: \] Males and females from Colombia, Honduras and Mexico will possess High Personal and High Competence value orientation types.

**RESEARCH METHODOLOGY**

Our study extends Greenwood et al.’s (2009) study of Latin American sex roles using additional respondents in Brazil and Colombia, adds respondents from Honduras and extends previous sex role research in the region to value orientation typologies. We used a Value Orientation Typology originally developed by Rokeach, modified further by Weber (1990, 1993) and Musser and Orke (1992), to explore cross-cultural and sex-based similarities and differences in values among working adult from the US and five Latin American nations, Argentina, Bahamas, Brazil, Colombia, Honduras and Mexico.

**Survey Instrument**

We investigated cross-cultural sex similarities and differences in values and value orientation types using the RVS, “the most commonly used instrument for the measurement of values” (Kamakura & Novak, 1992). The RVS is shorter, was found to be easier to translate, and has shown its reliability and validity in numerous cross-cultural research studies in the past 30 years (Connor & Becker, 2003). Reliability of the RVS was established by Rokeach (1973, 1979) and Rokeach and Ball-Rokeach (1989). Test-retest reliability for each of the 18 terminal values considered separately, from seven weeks to eighteen months later, ranged from a low of .51 for a sense of accomplishment to a high of .88 for salvation. Comparable test-retest reliability scores for instrumental values ranged from .45 for responsible to .70 for ambitious. With a 14-16 month test interval, median reliability was .69 for terminal and .61 for instrumental values.
A native speaker in each nation studied translated the RVS into the local language and another native speaker translated the instrument back to English, making an independent confirmation of the translation. For clarification, the English version was left in place beside the translated version (Adler, 1983; Sekaran, 1983). Instructions to those taking the survey are standard: Each individual is asked to order the values "in order of importance to you, as guiding principles in your life" (Obot, 1988: 367), from one (most important) to 18 (least important).

We first developed the means and medians for terminal and instrumental values, then divided the terminal values into personal and social terminal values and instrumental values into moral and competence values (Tables 1 and 2). As values range in ranking from one (most important) to 18 (least important), the lowest means signifies the more important value orientation type. In order to develop the value orientation typology, we summed the mean scores for each value orientation typology (personal and social terminal values and moral and competence instrumental values), and then developed the grand means for each sex, each culture, for Latin American countries combined, and for each male and female group in each culture. We could thus categorize each group by where they placed their value orientation priorities, forming their value orientation types: (1) higher importance on personal and competence values; (2) higher importance on personal and moral values; (3) higher importance on social and competence values, or (4) higher importance on social and moral values.

Research Population
As part of larger studies exploring values, attitudes and behaviors in 15 countries, we administered the surveys from 2004 to 2011 to convenience samples of working adults living in major cities in the Latin American countries of Argentina, Brazil, Colombia, Honduras, and Mexico and in the US in California. The researchers chose adults who were working full or part-time because their values represent the values of working professionals in those countries.

The final sample consisted of 5,303 adult respondents from Argentina (1197), Brazil (636), Colombia (989), Honduras (325), Mexico (1156) and the US. (1000). The sample consisted of 2,660 males and 2,643 females.

Statistical Analysis Techniques
Since the Rokeach Value Survey is a ranking instrument that produces non-normative data, data must be analyzed first using non-parametric statistical techniques like the Kolmogorov-Smirnov two sample test for male and female differences and for differences across the cultures with the Kruskal-Wallis ANOVA median test. This was followed by hierarchical regression analysis. Recent research by Schwartz and Bilsky (1987, 1990), Kamakura and Novak (1992), Bigoness and Blakely (1996), Lenartowicz and Johnson (2002), Connor and Becker (2003), Connor et al. (2006) supports Rokeach’s findings for statistical analysis of the RVS as ways to evaluate value systems or value orientations.

Research Results
We first explored cross-cultural differences in values and then cross-cultural differences in orientation types, with culture as the independent variable and values and value orientations as the dependent variables. Since some studies have shown that age, sex, education, and occupation can impact values, we used hierarchical regression analysis to explore their impact.
together on the constructs. Kruskal-Wallis ANOVA (Table 1) showed statistically significant cross-cultural differences for all 18 terminal and all 18 instrumental values, but the regression analysis beta scores indicated that age, sex, education and occupation contributed to some of the statistically significant cross-cultural differences. We next explored the differences in the value orientations with country as the independent variable and value orientation types as the dependent variables with the Kruskal-Wallis ANOVA (Table 1), which indicated that there were statistically significant cross-cultural differences across all four value orientation types. Finally, we explored sex differences across each culture for values and for value orientation types, finding statistically significant sex differences across each culture.

Table 1
Kruskal-Wallis ANOVA, and Multivariate regression analysis for cross-cultural and generation differences

<table>
<thead>
<tr>
<th>Value Orientation</th>
<th>H Alphas</th>
<th>Culture</th>
<th>Generation</th>
<th>Sex</th>
<th>Education</th>
<th>Occupation</th>
</tr>
</thead>
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<tr>
<td>Comfortable life</td>
<td>14</td>
<td>.055</td>
<td>.033</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>An exciting life</td>
<td>52</td>
<td>.097</td>
<td>.046</td>
<td>.033</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accomplishment</td>
<td>42</td>
<td>.087</td>
<td>.067</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>World at peace</td>
<td>25</td>
<td>.069</td>
<td>.041</td>
<td>.059</td>
<td></td>
<td></td>
</tr>
<tr>
<td>World of beauty</td>
<td>39</td>
<td>.08</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equality</td>
<td>17</td>
<td>.045</td>
<td>.05</td>
<td>.06</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Family security</td>
<td>41</td>
<td>.082</td>
<td>.05</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Freedom</td>
<td>N/S</td>
<td>N/S</td>
<td>.091</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td>8.6</td>
<td>.03</td>
<td>.05</td>
<td>.037</td>
<td>.002</td>
<td></td>
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<tr>
<td>Inner harmony</td>
<td>9</td>
<td>.127</td>
<td>.047</td>
<td>.062</td>
<td>.066</td>
<td>.002</td>
</tr>
<tr>
<td>Mature love</td>
<td>N/S</td>
<td>N/S</td>
<td>.038</td>
<td></td>
<td></td>
<td>.015</td>
</tr>
<tr>
<td>Nati security</td>
<td>67</td>
<td>.126</td>
<td>.03</td>
<td>.05</td>
<td></td>
<td></td>
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<tr>
<td>Pleasure</td>
<td>34</td>
<td>.089</td>
<td>.069</td>
<td>.045</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salvation</td>
<td>30</td>
<td>.059</td>
<td>.039</td>
<td>.039</td>
<td>.061</td>
<td></td>
</tr>
<tr>
<td>Self-respect</td>
<td>13</td>
<td>.064</td>
<td>.068</td>
<td>.061</td>
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</tr>
<tr>
<td>Soc Recog</td>
<td>26</td>
<td>.074</td>
<td>.08</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>True friendship</td>
<td>37</td>
<td>.087</td>
<td>.041</td>
<td>.05</td>
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<td></td>
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<tr>
<td>Wisdom</td>
<td>11</td>
<td>.033</td>
<td>.058</td>
<td>.04</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ambitious</td>
<td>32</td>
<td>.075</td>
<td>.073</td>
<td>.047</td>
<td>.043</td>
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<tr>
<td>Broadminded</td>
<td>8</td>
<td>.093</td>
<td>.041</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Capable</td>
<td>7</td>
<td>*</td>
<td>.035</td>
<td>.047</td>
<td>.129</td>
<td></td>
</tr>
<tr>
<td>Clean</td>
<td>N/S</td>
<td>N/S</td>
<td>.14</td>
<td>.066</td>
<td>.047</td>
<td></td>
</tr>
<tr>
<td>Courteous</td>
<td>8.5</td>
<td>.044</td>
<td>.033</td>
<td>.039</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forgiving</td>
<td>N/S</td>
<td>N/S</td>
<td>.126</td>
<td>.033</td>
<td>.036</td>
<td></td>
</tr>
<tr>
<td>Helpful</td>
<td>12</td>
<td>.047</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Honest</td>
<td>32</td>
<td>.05</td>
<td>.073</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Imaginative</td>
<td>12</td>
<td>.056</td>
<td>.087</td>
<td>.08</td>
<td>.036</td>
<td></td>
</tr>
<tr>
<td>Independent</td>
<td>N/S</td>
<td>N/S</td>
<td>.082</td>
<td>.044</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intellectual</td>
<td>18</td>
<td>.079</td>
<td>.084</td>
<td>.126</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Logical</td>
<td>N/S</td>
<td>N/S</td>
<td>.069</td>
<td>.071</td>
<td></td>
<td></td>
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</tbody>
</table>
As shown in Tables 2 and 3 respondents from the US, Argentina, and Brazil had High Personal and High Moral primary value orientations types, allowing us to accept H1. Conversely, respondents from Colombia, Honduras and Mexico had High Personal and High Competence primary value orientation types, allowing us to accept H2.

**TABLE 2**
Latin American Cross-Cultural Terminal and Instrumental Value Orientations

<table>
<thead>
<tr>
<th>Terminal Values</th>
<th>Argentina N=1197</th>
<th>Brazil N=636</th>
<th>Colombia N=989</th>
<th>Mexico N=1156</th>
<th>Honduras N=325</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Values</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>interpersonal focus</td>
<td>9.723</td>
<td>9.533</td>
<td>10.039</td>
<td>10.233</td>
<td>10.392</td>
</tr>
<tr>
<td>Personal Values</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>intrapersonal focus</td>
<td>9.246</td>
<td>8.942</td>
<td>8.837</td>
<td>8.752</td>
<td>8.607</td>
</tr>
<tr>
<td>Instrumental Values</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moral Values</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>interpersonal focus</td>
<td>9.130</td>
<td>8.633</td>
<td>10.463</td>
<td>9.802</td>
<td>10.376</td>
</tr>
<tr>
<td>Competence Values</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>intrapersonal focus</td>
<td>9.813</td>
<td>9.781</td>
<td>8.408</td>
<td>9.185</td>
<td>8.625</td>
</tr>
</tbody>
</table>

**TABLE 3**
U. S. Cross-Cultural Terminal and Instrumental Value Orientations

<table>
<thead>
<tr>
<th>Terminal Values</th>
<th>US N=1000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Values interpersonal focus</td>
<td>10.088</td>
</tr>
<tr>
<td>Personal Values intrapersonal focus</td>
<td>8.874</td>
</tr>
<tr>
<td>Instrumental Values</td>
<td></td>
</tr>
<tr>
<td>Moral Values interpersonal focus</td>
<td>9.093</td>
</tr>
<tr>
<td>Competence Values intrapersonal focus</td>
<td>9.832</td>
</tr>
</tbody>
</table>

We next developed the value orientation means by sex (male/female) for each country (Table 4) and developed the value orientation types (Table 5). H3 was not supported because males and females from Argentina and the US and males from Brazil possessed High Personal and High Moral value orientation types, but females from Brazil possessed High Social and High Moral value orientation types. We accepted H4 because males and females from Colombia, Honduras and Mexico possessed High Personal and High Competence value orientation types (Tables 4 & 5).
TABLE 4
Cross Cultural Sex Differences In Value Orientation Types

<table>
<thead>
<tr>
<th></th>
<th>Argentina Males N=509</th>
<th>Argentina Females N=688</th>
<th>Brazil Males N=378</th>
<th>Brazil Females N=258</th>
<th>US Males N=500</th>
<th>US Females N=500</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Colombia Males N=469</td>
<td>Colombia Females N=520</td>
<td>Honduras Males N=123</td>
<td>Honduras Females N=202</td>
<td>Mexico Males N=681</td>
<td>Mexico Females N=475</td>
</tr>
<tr>
<td>Personal Values</td>
<td>8.811</td>
<td>8.879</td>
<td>8.512</td>
<td>8.666</td>
<td>8.732</td>
<td>8.777</td>
</tr>
</tbody>
</table>

TABLE 5
Cross-Cultural Sex Differences in Value Orientation Type Classifications

<table>
<thead>
<tr>
<th></th>
<th>Primary</th>
<th>Secondary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina Males</td>
<td>High Personal + High Moral</td>
<td>High Social + High Competence</td>
</tr>
<tr>
<td>Argentina Females</td>
<td>High Personal + High Moral</td>
<td>High Social + High Competence</td>
</tr>
<tr>
<td>Brazil Males</td>
<td>High Personal + High Moral</td>
<td>High Social + High Competence</td>
</tr>
<tr>
<td>Brazil Females</td>
<td>High Social + High Moral</td>
<td>High Personal + High Competence</td>
</tr>
<tr>
<td>Colombia Males</td>
<td>High Personal + High Competence</td>
<td>High Social + High Moral</td>
</tr>
<tr>
<td>Colombia Females</td>
<td>High Personal + High Competence</td>
<td>High Social + High Moral</td>
</tr>
<tr>
<td>Mexico Males</td>
<td>High Personal + High Competence</td>
<td>High Social + High Moral</td>
</tr>
<tr>
<td>Mexico Females</td>
<td>High Personal + High Competence</td>
<td>High Social + High Moral</td>
</tr>
<tr>
<td>Honduras Males</td>
<td>High Personal + High Competence</td>
<td>High Social + High Moral</td>
</tr>
<tr>
<td>Honduras Females</td>
<td>High Personal + High Competence</td>
<td>High Social + High Moral</td>
</tr>
</tbody>
</table>

DISCUSSION

We sought to determine whether values were more similar or dissimilar in Latin America using Rokeach’s value orientation typology, which allows researchers to explore 4-value orientations instead of 36 values across each sex and culture.

Similarities and differences in value orientation types exist among working adults (males and females) from the US and Latin American countries. The countries can be broken into two camps when culture alone is considered: Respondents from Argentina, Brazil, and the US and those from Colombia, Honduras and Mexico. The US more closely resembles Argentina and
Brazil. Argentina and Brazil are major trading partners, after the US. Argentina imports 32.5\% from Brazil and Brazil imports 8.7\% from Argentina. Argentina exports 17.1\% to Brazil and Brazil exports 8.3\% to Argentina (CIA, 2011). Mexico, Honduras and Colombia are not major trading partners, but they are closer in proximity and have similar colonial history as part of the Central America and Northern Latin American region. Colombia, Honduras and Mexico are major trade partners with the US, but appear to have retained a non-western value orientation types.

Respondents from Argentina and Brazil were similar as they possessed High Personal and High Moral primary value orientation types and High Social and High Competence secondary value orientations types. This suggests that respondents from Argentina, Brazil and the US are a mix of individualism (personal terminal values) and collectivism (moral instrumental values), but they retain collectivism social terminal values and individualism (Competence values) secondary value orientations. On the other hand, respondents from Colombia, Honduras and Mexico had primary High Personal (individualism) and High Competence (individualism) value orientation types and High Social (collectivism) and High moral (collectivism secondary value orientation types. While the GLOBE project (Chhokar, et al., 2007) clustered only four of our five Latin American countries under study (Argentina, Brazil, Colombia and Mexico) into a Latin American cluster, our results seem to indicate a for Latin America in Southern cluster (Argentina and Brazil) and a Northern cluster (Colombia, Honduras, and Mexico). The GLOBE project did not include Honduras in their studies.

When examined as a combined Latin American sample, Latin American males and females had primary High Personal and High Competence primary value orientation types and secondary High Personal and High Moral value orientation types. On the other hand, US males and females had High Personal and High Moral value orientation types.

We next evaluated the value orientations using the Northern (Colombia, Honduras and Mexico) cluster of countries as compared to the Southern cluster of countries (Argentina and Brazil). Males and females in the Northern cluster possessed High Personal and High Competence value orientations and those in the Southern cluster possessed High Personal and High Moral value orientations.

The findings for Argentina and Brazil confirm Murphy et al.’s (2007) studies of Eastern versus Western countries, which also found males and females to possess High Personal and High Moral value orientation types. On the other hand, our findings for Colombia, Honduras and Mexico are the opposite of Murphy et al.’s (2007) study, which indicated that males and females in the East and West had High Personal and High Moral primary orientation types and High Social and High Competence secondary value orientation types. Latin American values, particularly from the Northern cluster of countries, are significantly different from values in Eastern and Western countries, confirming Lenartowicz and Johnson’s (2002) findings. Yet, Latin American females in Argentina and Brazil have moved closer to US males and females, suggesting that Latin American females have become more modern; Latin American males have not. This is supported by Olivas-Lujan et al.’s (2009) research on attitudes towards women in Latin America, which indicated that Latin American women have more equalitarian attitudes as compared to Latin American men. When broken down by the male and female subgroups within each culture, we find similarities and differences across the value orientation types.
Argentinean males and females and Brazilian males had High Personal and High Moral primary value orientation types, but Brazilian females had High Social and High Moral primary value orientation types. On the other hand males and females from Colombia, Honduras and Mexico had High Personal and High Competence primary value orientation types.

Our results for the Argentinean males and females and Brazilian males who had High Personal (individualism) and High Moral (collectivism) primary value orientation types, matched the results for males and females from the US, UK, Iceland, Philippines and Thailand and Japanese males (Murphy et al., 2007). On the other hand, females in Brazil were even more collectivistic with their primary High Social (collectivism) and High Moral (collectivism) orientation types which match Japanese females who also possessed High Social and High Moral primary value orientation types (Murphy et al., 2007). Our results indicate that managers doing business in these countries need to understand these similarities and differences because females in Brazil will pursue their social goals through social means, while males and females from Argentina and males from Brazil would pursue their personal goals through social means.

Colombian, Honduran and Mexican males and females had High Personal (individualism) and High Competence (individualism) primary value orientation types, which were only secondary orientation types for males and females from Japan, Philippines, Thailand, and US. This suggests that Colombian, Honduran and Mexican males and females would pursue their personal goals through personal means. Managers operating in Colombia, Honduras and Mexico need to understand this so they can harness this individualism into company centered goals.

Argentineans and Brazilians were motivated primarily by High Personal and High Moral value orientations. This classification implies that respondents have a self-centered or intrapersonal focus for their most important goals in life, tempered with an interpersonal/other-centered or moral instrumental value orientation focus, which means they will use other-centered values to obtain their goals. This is good news for organizations because although respondents are internally focused to obtain their goals, they are morally focused on society and their organizations, supervisors, co-workers and customers in means to obtain those goals. Such high personal and moral focus for the Argentineans and Brazilians is similar to findings by Murphy et al. (2008) for Eastern and Western countries, which also had High Personal and High Moral primary value orientation types. This suggests that values are more similar between many Western, Eastern and Latin American countries like Argentina and Brazil. Previous research (i.e. Hofstede, Schwartz and others) has shown that respondents from Western countries primarily value individualistic (personal terminal values) or self-centered values (competence instrumental values), while respondents from Latin American countries primarily value society-centered (social terminal) values or group-oriented (social instrumental) values. However, Argentina and Brazil were more individualistic than countries like Colombia, Honduras, and Mexico. Hofstede’s (2001) research indicated that Argentina and Brazil had individualism country score rankings 22/23 (Argentina) and Brazil (26/27) compared to the rankings of 49 for Colombia and 32 for Mexico and 1 for the US.
Our research results do not confirm Hofstede’s (2001) findings of stronger individualism scores for Argentina and Brazil as compared to Colombia and Mexico. In our study, respondents from Argentina and Brazil had primary High Personal terminal value orientation types, which have an intrapersonal or individualism focus, but these are tempered with an emphasis of High Moral instrumental values, which have an interpersonal or collectivism focus.

The Hondurans, Colombians and Mexicans were more individualistic as compared to respondents from Argentina and Brazil as they more highly valued High Personal (intrapersonal focus; individualistic) and High Competence (intrapersonal; individualistic) value orientation types. This suggests these respondents have moved away from primary collectivistic orientations to more individualistic ones. Since Hofstede’s studies were completed more than 10 years ago, perhaps some Latin American countries have become more individualistic as they compete in the global marketplace.

The results of our study will help managers and practitioners lead their employees in interactions with customers, employees, and competitors. Managers would know that males and females in Argentina and males in Brazil will primarily focus on their own goals, tempered with a focus on societal or organizational goals, while Brazilian females focus on satisfying the social goals through social or organizational means. However, male and female respondents from Colombia, Honduras and Mexico will focus on personal goals and the means to obtain them. If this is not understood, employees could work against organizational goals.

Males have a primary intrapersonal and moral focus while females have an interpersonal social and moral focus. This suggests that females will place group goals above personal goals, while males will place personal goals above group goals. The individualism of males is also shown by their secondary personal and competence orientation which is intrapersonal focused for goals and intrapersonal competence means based values. The secondary style for females was a personal goal orientation with moral means. Such findings support previous studies by Hofstede, Schwartz and others that indicated women possess a social orientation; men possess a more individualistic orientation.

Cross-cultural similarities in values are important because values influence attitudes and intended behavior. An understanding of the values of countries can give managers an insight into how they can develop better world-wide customer relationships, develop better human resources programs for their employees throughout the world, and how they can develop closer relationships and predict the behaviors of other companies or competitors and their employees operating in the global marketplace (Hofstede, 2001; Lenartowicz & Johnson, 2002; Lyons, Duxbury & Higgins, 2005; Murphy et al., 2006).

CONCLUDING REMARKS AND LIMITATIONS
Our research indicates that exploring similarities and differences across sexes and cultures using a value orientation typology is a worthwhile endeavor. The new typology, first developed by Rokeach, lends itself more easily to explorations of similarities across cultures. Research results indicate that males and females in Argentina, Brazil, Colombia, Honduras, Mexico and the US have similarities and differences in their value orientations. The majority of male and female respondents are similar in a personal focus for goals and either had social
moral or competence focused instrumental means to obtain those goals. The individualistic nature of males is being tempered with a social focus and the social focus of females is being influenced by a competence focus.

In addition, Latin American females have adopted more US oriented value orientations, with the exception of Brazilian females who remain highly collectivistic. Further, the importance of studying these value orientations below the national level is highlighted by the fact that subgroups differ in their value orientation types.

Understanding values and value orientation types allows managers to gain insight into what is important to their employees and customers. This study will also help practitioners and managers who supervise foreign nationals understand what motivates them and will help companies operating globally develop international human resources management strategies that not only meet company needs but also the cultural needs of their organizational members. Finally, by understanding values and culture, companies should be able to achieve better performance outcomes that positively impact their profitability.

The limitations of this study include the research populations, as they were generally convenience samples of working adults from the capitals or major cities in each country. Respondents were limited to those working in full-time positions. Our sample sizes were also limited by the larger number of 18 to 39 year olds in comparison to those over 40 years old. We controlled for this through hierarchical regression analysis, which indicated that age did impact some of the values and their significance. Further research should also be conducted in other cities in the cities and extended to other Central and Latin American countries.

Our final recommendation for future research is to investigate possible shifts in work place values across countries, cultures, age groups, and gender. Further research and better data reporting in the literature will allow others to study and track changes in values. Understanding difference and similarities in workplace values will lead to better working relationships, leading to improved employee morale and productivity.

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ELEMENTS OF EFFECTIVE SOCIAL MOVEMENTS: LESSONS FOR GREEN MANAGEMENT FROM THE HISPANIC CIVIL RIGHTS MOVEMENT
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ABSTRACT

The primary goals of this paper are to: (1) identify specific and requisite elements common to successful social movements; (2) compare and contrast these common features with the current status of the green management movement, identifying possible missing elements crucial for progression; and (3) offer recommendations regarding how the omitted components might be applied to the green management movement. To identify these elements, we reviewed the existing literature on social movements and analyzed archival data from a specific social undertaking, the U.S. Hispanic Civil Rights movement. Using a pseudo-gap-analysis, we compared our interpretive data alongside current knowledge of green management.

Key words: Social Movements, Green Management, Green Movement

Note: We would like to thank Cynthia Orozco, author of No Mexicans, Women, or Dogs Allowed, for directing us to the LULAC archives housed at the University of Texas as part of the Nettie Lee Benson Latin American collection. We would also like to extend thanks to Christian Kelleher (archivist) and Adrian Johnson (reference librarian) and the staff members at the Rare Books and Manuscripts Reading Room at the Benson Library for their assistance. In an attempt to assist future researchers we have listed the specific box, album, folder, and/or file when quoting individual archival materials that would be unavailable in any other form (e.g., Garcia, Album 1; Weeks, Box 1, Folder 12).

INTRODUCTION

According to Tilly (2004, p. 3), “popular risings of one kind or another have occurred across the world for thousands of years,” but it was not until the later part of the eighteenth century when scholars began to study the phenomenon known today as “social movements.” German sociologist Lorenz von Stein (1959) is credited with introducing the term, as he traced the 1789-1850 history of the French social movement. Social movements are an important means by which social concerns (i.e., social injustice, environmental depletion, etc.) are addressed. A current social concern that has garnered increasing social interest is that of environmental awareness. However, despite the repeated emergence of movements throughout history and the more recent development of the green management movement, little is known about the elements that lead to successful movements. In order to gain a better understanding of these elements, Tilly (2004) argued for examinations of various social movements specifically from a historical perspective.
Accordingly, we examine social movements from a historical perspective by reviewing extant literature regarding these movements alongside primary data from a specific historical social movement in the United States, the Hispanic Civil Rights movement. The primary goals of this paper are to: (1) identify requisite features common to successful social movements; (2) compare and contrast these common elements with the current status of the green management movement, identifying possible missing elements crucial to the progression of the movement; and (3) offer recommendations regarding how the omitted components might be applied to the development and success of the contemporary green management movement.

We begin by explaining the methodology we used to examine the historical case of the Hispanic Civil Rights movement and the founding of the movement’s premier organization, the League of United Latin American Citizens (LULAC). We then review the literature on social movements, followed by an overview of the movement that led to the founding of LULAC, to identify common elements. The identified elements are then compared and contrasted to our current knowledge of the green management movement via a pseudo gap-analysis, to offer recommendations concerning how green management advocates might advance the movement.

**HISTORICAL INTERPRETATION AND METHODOLOGY**

We argue that an assessment of the Hispanic Civil Rights movement, and the ultimate founding of LULAC, can provide a “very powerful example” (Siggelkow, 2007, p. 20) from which we can enhance our understanding of the elements important to successful social movements. While the theoretical development of social movements is rich (see Tarrow, 1998; Tilly, 2004; Wilson, 1973), we posit that this case provides a unique perspective and that the conclusions drawn from the archival data can make a contribution to the green management movement in the contemporary environment.

As we began our study of the Hispanic Civil Rights movement and its potential contribution to modern-day social movements, we examined the book by Orozco (2009), *No Mexicans, Women, or Dogs Allowed: The Rise of the Mexican American Civil Rights Movement*, which provided a substantial amount of background material and preparation for our analysis of the LULAC archives. The primary data available in the archives were surveyed in a manner best described as an ethnomethodologically-informed (see Iszatt-White, 2011), sociohistorical methodology (see Novicevic, Humphreys, Buckley, Cagle, & Roberts, 2011). Our goal was to reveal characteristics of the Hispanic Civil Rights movement that could prove to be essential elements of modern-day social movements in organizations. Therefore, social movement and organization theories (Davis, McAdam, Scott, & Zald, 2005) guided our research efforts. To impute meanings to events within documents, we noted salient themes and related them to the established concepts grounded in these theories (Jones, Novicevic, Hayek, & Humphreys, 2012).

**A REVIEW OF THE LITERATURE ON SOCIAL MOVEMENTS: COMMON ELEMENTS**

A social movement is a “varied and complex phenomenon” (Wilson, 1973, p. 5). Providing a comprehensive review of the research on the topic is beyond the scope of this paper, but we
invite interested readers to survey *Introduction to Social Movements* by Wilson (1973), *Power in Movement: Social Movements and Contentious Politics* by Tarrow (1998), and *Social Movements, 1768-2004* by Tilly (2004). We structured our review around these three major works, as they are accepted as seminal in the field of social movements.

A common element to emerge from the work of Wilson (1973) is the concept of ideology. “Ideology is the generic name given to those beliefs which mobilize people into action in social movements” (Wilson, 1973, p. 91) and can also be defined as “a specific rationale for a particular strategy” (Wilson, 1973, p. 124). Wilson (1973) emphasized that when we examine social movements throughout history, we see that past leaders of these movements typically try to avoid having their ideologies labeled as a “fad.” If the ideology of a social movement is viewed by the mass public as merely a passing fad or an irrational craze perpetuated by extremist entities, the chances of the movement being successful are diminished. Tarrow (1998) defined ideology as what incites people to take action. He goes on to explain that more recent terms used to describe ideology, such as cognitive frames and ideological packages, shape people’s thoughts about a movement’s purpose or claims (e.g., Snow & Benford, 1988), create a shared meaning among the people, and motivate the people to engage in collective action (e.g., Klandermans, Kriesi, & Tarrow, 1988; Morris & Mueller, 1992).

Closely tied to the concept of ideology is the element of identity. While Wilson (1973) mentioned identity as a motive for social movements, later works offered greater discussion of identity and its importance to contemporary social movements (Tarrow, 1998; Tilly, 2004). A collective identity is typically what brings members of a social movement together, organizes the group (Tarrow, 1998), and mobilizes members for collective action (Simon, Trotschel, & Dahne, 2008). Identity is critical in enabling leaders of social movements to impact “constituencies, competitors, potential allies, and the objects of their program or standing claims” (Tilly, 2004, p. 71). While Tilly (2004) emphasized the importance of identity to modern movements, he noted that identity appears to have been a key factor even in earlier social movements (Cohen, 1985). Kretschmer (2009) proposed that social movement organizations can potentially improve their chances of survival if they are able to balance their loyalties to their niche organization while meeting the expectations of the outside world through their adoption of a dual identity. Thus, in order to satisfy internal members and external stakeholders, “organizations must continually carve out a coherent identity and distinct mission that represents the emergent interests of their constituent groups” (Furuyama & Meyer, 2011, p. 102).

Another element within social movements is the concept of mobilization (Wilson, 1973). It is the process of mobilization “whereby people are prepared for active service for a cause which they see as consonant with their own interests” and “it takes only a small change in the level of mobilization of a discontented group to effect major social changes” (Wilson, 1973, p. 89). Mobilization is critical to the formative stage of social protest (Wilson, 1973) and researchers have supported the importance of this element to the successful functioning of any social movement (e.g., Davis et al., 2005; Klandermans, 1988; Tarrow, 1998; Tilly, 2004). Tilly (2004) addressed the notion that mobilization enables the facilitators of social movements to establish themselves in multiple settings through modeling, communication, and collaboration. Others discuss the importance of mobilization as a process that those in leadership positions can implement in order to successfully orchestrate social movements (Davis et al., 2005). Tarrow (1998) emphasized the distinction between consensus formation
and consensus mobilization and cited Klandermans (1988) to substantiate that while consensus formation results in collective definitions of the social situation, the collective action necessary to guide a group of people through a social movement requires consensus mobilization. McMillen (1978) examined the United Mine Workers (UMW) and highlighted the importance of concerted mobilization in order to achieve organizational objectives. The notion of resource mobilization towards a common goal is also addressed in the literature as a popular mechanism to perpetuate social movements (e.g., Davis et al., 2005; Klandermans, 1991; Lewis, 1976).

The element of goal-attainment is addressed extensively by Wilson (1973). Drawing upon the works of Parsons (1953), he identified goal-attainment as a problem faced by social movements that is accompanied by “the need to (a) provide “clear directives for action and relatively unambiguous criteria for evaluating organizational success and individual contributions to it” (Zald & Ash, 1966: 329); (b) make decisions about which goals are to be given priority and how they are to be achieved; (c) allocate responsibilities and resources among personnel” (Parsons, 1953, as cited in Wilson, 1973, p. 162). This suggests that in order for the goals of a movement to be successfully achieved, they must be clear, unambiguous, weighted in terms of priority, and that the people working to attain these goals must understand their responsibilities and be granted the resources to accomplish their tasks. Many of these guidelines align with the empirical literature on goal-setting, indicating that specific, challenging goals lead to higher performance (e.g., Latham, Locke, & Fassina, 2002; Locke & Latham, 2002). Finally, McMillen (1978) not only stressed the importance of a social movement organization establishing a common and unified purpose, but he also argued that goal-attainment is critical to the perpetuation of a movement, as failure to achieve goals can lead to loss of membership, restricting what a social movement organization can do in the future.

As intimated in the discussion of the previous elements, leadership is critical to the effectiveness of a social movement. “Social movements are led by different role types (whose style of leadership is of course different) as they evolve from one stage of development to another” (Wilson, 1973, p. 195). Wilson (1973) identified three main types of leadership in social movements: charismatic, ideological, and pragmatic. “Although the assumption is quite often made that all social movements are led by charismatics, in fact there are a great number of movements (many of them dominated by a single individual) where this has not been the case” (Wilson, 1973, p. 210). Regardless of the type of leader that is best suited to lead any given social movement, Bob and Nepstad (2007) asserted that if a leader is lost, a movement can very well fade away.

Underlying many of the aforementioned elements is the concept of integration. In order for a movement to be integrated, those facilitating a movement must “(a) maintain solidarity in the face of differentiation of units …; (b) control performance so that separate efforts are coordinated harmoniously; and (c) facilitate the passage of information concerning reciprocal role expectations …” (Parsons, 1953 as cited in Wilson, 1973, p. 162). The leader is able to forge this integration (Wilson, 1973). Also, it is important that different members of the group collectively hold similar values and work as a cohesive unit toward shared goals (Wilson, 1973).

Since integration is fostered by the leader, it is influential in creating a shared ideology and identity among movement members. Thus, we include it for the profound influence on the
other elements. Moreover, previous research examining the rise of the Hispanic Civil Rights movement and the founding of LULAC specifically analyzed the role of leadership in engendering follower identification with the movement (see Humphreys, Pane Haden, Oyler, Cooke, Zhao, Hayek, & Little, 2012).

THE HISTORY OF THE HISPANIC CIVIL RIGHTS MOVEMENT AND THE FOUNDING OF LULAC

Prior to discussing the primary data found in the archives, a brief overview of the Hispanic Civil Rights Movement is required, as many are not familiar with this movement or its signature organization (Humphreys et al., 2012). In comparison to the African American Civil Rights movement of the 1960s, the earlier Hispanic Civil Rights movement that took place in the United States is far lesser known.

The Mexican American Civil Rights movement began to emerge in the 1910s and 1920s (Orozco, 2009) when Mexican immigrants were encouraged to move to South Texas because agribusiness was booming, prompting the need for additional workers. Not only were individuals of Mexican descent limited with respect to the types of occupations they could pursue, but they also experienced racial segregation and racial violence (Orozco, 2009). In an effort to overcome these injustices, individuals of Mexican descent formed groups to fight for social equality (Yarsinske, 2004). Initiated by a rising Texan-Mexican middle-class and the purpose of resisting racial discrimination, LULAC was founded on February 17, 1929 in Corpus Christi, Texas (Yarsinske, 2004). However, several smaller, more regional groups preceded it.

A majority of Anglo Americans in South Texas at the time viewed their Mexican American counterparts as a “problem” (Orozco, 2009, p. 10) and government legislation (i.e., the Box immigration bill) blatantly stated “the Mexican is an inferior and degenerate race incapable of being assimilated” (Weeks, Box 1, Folder 5). Yet, nearly 77,000 Mexicans became U.S. citizens when the United States annexed a sizable portion of Mexican territory after the Mexican American War (Yarsinske, 2004). This failure to acknowledge Mexican Americans as citizens significantly influenced Mexican American identities, leading many to publicly proclaim their American citizenship (Orozco, 2009). The Order of Sons of America (OSA), founded in 1921, was the first civic group that embodied this hybrid identity.

In addition to the OSA, other groups such as the Order Knights of America of San Antonio (OKA) and the League of Latin American Citizens of South Texas (LLAC) also emerged (Orozco, 2009). However, the leaders of these early groups eventually agreed that they could increase their strength and influence if they became a unified organization (Yarsinske, 2004). “Each organization had a very proud history, its own constitution, its own structure, and a strong leader” (League of United Latin American Citizens, 2010), so the merger proved to be a challenging undertaking (Orozco, 2009). Yet the founders of LULAC were able to create a successful organization that has persisted over time. LULAC is currently headquartered in Washington, D.C. and has 700 operating councils throughout the United States and Puerto Rico.

While Orozco (2009) focused on the history of the founding of LULAC, Marquez (1993) concentrated on the characteristics and elements that helped LULAC to survive and prosper over time, as well as the obstacles and missteps that hindered the organization. For example,
shortly after its founding, LULAC was confronted with the problem of providing sufficient incentives to entice members to contribute the time and effort necessary to achieve the organization’s goals and like many new organizations, “LULAC began with few material resources, capital, or other advantages that could be passed on to its members” (Marquez, 1993, p. 17). The organization therefore relied on ideology and less expensive types of purposive and intrinsic incentives (Cigler, 1986), such as creating a sense of cohesiveness and belongingness among members (Marquez, 1993). These purposive rewards provided members with “a sense of identity and purpose” and they “saw themselves as crusaders … against injustice” (Marquez, 1993, p. 17). Yet, LULAC struggled with developing an effective reward structure (Marquez, 1993).

Another factor important to the success of LULAC was collective goals. The vision of social life expressed by the LULAC leaders was an incremental approach to social change. The members valued “reforming rather than remaking society” (Marquez, 1993, p. 45). The primary goal of LULAC was equal rights and education reform was viewed as the most assured plan to achieve that goal because members were confident that a better education was the best way to enhance their economic and social advancement in the long term (Marquez, 1993).

Finally, Marquez (1993) discussed the role that leadership played in the history of LULAC. “Leadership assumed a dominant role in directing the goals and activities of the group” (Marquez, 1993, p. 72). The types of individuals that served as leaders changed over time. When examining the leadership styles exhibited by the founders of LULAC, charismatic, ideological, and pragmatic approaches are revealed (Humphreys et al., 2012), which falls in line with the CIP (charismatic, ideological, and pragmatic) model proposed by Hunter, Bedell-Avers, and Mumford (2009). The most instructive lesson that can be derived is that leadership must change as the organization changes and that the context in which the organization is operating will impact how that leadership should change (Humphreys et al., 2012). Humphreys et al. (2012) previously supported this assertion by analyzing the LULAC archives.

**IMPORTANT SOCIAL MOVEMENT ELEMENTS IDENTIFIED IN THE LULAC ARCHIVES**

The LULAC archives are housed at the University of Texas in the Nettie Lee Benson Latin American collection. This collection is the official repository of LULAC and contains correspondence, publications, minutes, administrative records, and personal papers. We examined the LULAC archives and the literature available concerning the formation of LULAC and the rise of the Hispanic American Civil Rights movement to identify the recurrent elements that emerged from the social movement literature.

**Important Element 1: Ideology**

In an article written by M.C. Gonzales in February of 1930, the Vice President General of LULAC wrote about the underlying ideology of the organization and its work when he stated:

> We should first build our strongholds on a sound foundation, and so it becomes our imperative duty to be extremely careful in the future to determine whether the persons seeking to join forces with us and to work under our banner, are
men who are capable of the trust, conscientiousness and [are] worthy, and who really feel within their soul and heart a duty to carry on this noble work (Weeks, Box 1, Folder 12).

This passage implies that their organization and their work (i.e., social movement) must have a strong foundation, a sound ideology that can be perpetuated by members who possess the characteristics and qualities necessary to successfully carry out the important work of the movement. The archives also contained evidence that the underlying ideology and approach of the movement was not to be violent or radical, but rather mainstream (Weeks, Box 1, Folder 5).

**Important Element 2: Identity**

Leaders within the LULAC organization often spoke to different groups at various events. In a speech delivered by Andres DeLuna to the Daughters of the American Revolution, he commended the audience on their interest in civic affairs and spoke with pride about his organization. The official subject of his speech was “Mexican culture and our debt to Mexico” and he proudly discussed the contributions Mexico had made to the New World (DeLuna, Box 1, Folder 9). While Orozco (2009) and Yarsinske (2004) discussed how members of the Hispanic Civil Rights Movement and LULAC adopted a hybrid identity and assimilated toward American ideals and away from their Mexican heritage as a strategy to progress the movement, it was evident throughout the archives that their native heritage was never completely abandoned. Members seemed to be able to maintain their original identity, which contributed to the ideology and purpose of the movement, while assimilating to certain American ideals that would allow them to reach the goals of the movement.

**Important Element 3: Mobilization**

In a letter from Eduardo Idar to James Tafolla, dated December 14, 1927, Idar argued that the Sons of America, the League, and the Knights of America needed to consolidate “together into one strong, well-organized institution, with definite action to follow” (DeLuna, Box 1, Folder 3). In this letter, Idar conveys the sense of urgency to integrate the splinter organizations into a common unit and implies that through the unification into a single organization, a mobilized action can commence.

**Important Element 4: Goals and Goal-Attainment**

The goals of the movement and LULAC as an organization are clearly evident in the archives and summarized in LULAC’s Constitution. LULAC members strove toward the goal of equality of social and economic opportunity. DeLuna articulated a more specific goal when he spoke to the president and members of “The Monday Club” on the subject of Latin American children in public schools, expressing the need to help Latin American children receive an education equivalent to that of Anglo-Saxon American children (DeLuna, Box 1, Folder 9). The LULAC Constitution also addresses this goal of assuring all American citizens of Hispanic heritage the opportunity to receive an education of the highest American standards and principles.

**Important Element 5: Leadership**

Orozco (2009) identified eleven men as founding fathers of LULAC, but Manuel Gonzales (OKA – San Antonio), Alonso Perales (LLAC – South Texas), and Ben Garza (OSA – Corpus Christi) occupied the top leadership positions in their respective organizations
(League of United Latin American Citizens, 2010) and actively forged the way to a successful merger into a single social movement organization (Humphreys et al., 2012). While Gonzales represented an ideological leader, if applying the CIP framework (Hunter et al., 2009), he also possessed charismatic attributes (Humphreys et al., 2012). Applying the CIP model (Hunter et al., 2009), Perales was clearly a charismatic leader (Humphreys et al., 2012) who was a “magnificent orator” that “spoke with great enthusiasm” to convey a persuasive vision (Orozco, 2009, p. 113). However, it was Garza who was unanimously elected as the first president of LULAC (Garza, Album 2). Letters found in the archives state that he was a “mediator” that interacted with colleagues in a “constructive” manner (Garza, Album 1).

Drawing upon the archival material and the work of Orozco (2009), Humphreys et al. (2012) concluded that Garza exercised a present orientation, focused on followers’ functional needs, did not display strong ideological or charismatic tendencies, and was clearly more focused on rational problem-solving than emotional appeals, though he did inspire others with the idea of what they could accomplish by working together. By applying the CIP paradigm (Hunter et al., 2009) to the aforementioned behaviors, Humphreys at al. (2012) labeled Garza a pragmatic leader. He was successful in leading the organization beyond the merger and his success has been attributed to his pragmatic style that incited followers to identify him as the leader since many followers seemed to desire an ethical, functional problem-solver, as evidenced by such statements from the archives as: “We will elevate as leaders those among us who by their integrity and actions show themselves capable of guiding and directing us aright (Weeks, Box 1, Folder 5)” (Humphreys et al., 2012).

The Underlying Element of Integration

The concept of integration underlies many of the elements discussed above, but is perhaps most evident in the LULAC archival data pertaining to the merging of the various splinter organizations. In correspondence between Tafola and Perales over a two-month period ranging from August to October of 1927, they discussed the fact that committee members should unify under one banner (DeLuna, Box 1, Folder 3). In a letter from Eduardo Idar to Tafola, Idar stated that the splinter organizations needed to consolidate (DeLuna, Box 1, Folder 3).

A COMPARISON WITH THE CURRENT STATUS OF THE GREEN MANAGEMENT MOVEMENT

The “green movement,” born out of the concern for environmental problems (e.g., Buchholz, 1993), influences and encompasses many of the areas critical to running an organization, encouraging organizational leaders and members to purchase, manufacture, and invest in ways that are considered to be “environmentally beneficial” (Zee, Fok, & Hartman, 2011, p. 19). Therefore, the concept of green management in organizations is a significant factor in the green movement as a whole. While we do not disagree with the perspective of some researchers who view green management as a response to a social movement that is holding firms accountable (e.g., Morf, Flesher, Hayek, Pane Haden, & Hayek, 2013), we also argue that green management can be classified as a social movement, in and of itself, that is taking place within the boundaries of many modern-day organizations. Therefore, lessons from preceding social movements could be both applicable and beneficial to its future survival, development, and prosperity.

Ideology
When examining how the green management movement was started, researchers observed that green-industry pioneers did not initiate their ventures for the purpose of making money; rather, they developed their businesses to help improve the environment or to survive in a harsh environment (Silverthorne, 2011). These pioneers “emerged, often ahead of public opinion, to try to solve the emergent environmental challenges faced by our world” and “in the last 60, 70 years, you see something that was primarily confined to crazies and eccentrics, merging into something that is now totally mainstream” (Geoffrey Jones, as quoted in Silverthorne, 2011, p. 1). Silverthorne (2011, p. 2) noted that Jones predicts a repeating pattern within the development of green industries: “a move from pioneers driven by more social issues than economic gain who build the foundations of the industry but who are ultimately weeded out by the arrival of major players from other established industries, perhaps aided by government largesse.” These quotes speak volumes of the ideology underlying the green management movement, the ideology of social movements in general (e.g., Tarrow, 1998; Wilson, 1973), and what the LULAC archives revealed about the Hispanic American Civil Rights movement.

Identity
There has been a modicum of research conducted on the topic of how social movement identity relates to green management and the green movement. McCright and Dunlap (2008) found that individuals who assume the identity of an active participant in the environmental movement display greater consistency, greater consensus, and less position extremity than those who assume the identity of being unsympathetic to the movement. These same researchers also developed and validated their own empirical measure of social movement identity, finding that the scale possesses construct and predictive validity based on the fact that it related to membership in environmental organizations and pro-environmental behaviors (Dunlap & McCright, 2008). This research suggests that there is a definitive identity among members of the environmental and green movement and that this identity can help perpetuate the movement and achieve goals through the “green” behaviors in which those possessing this identity engage. However, the percentage of the American population that identifies itself as an active participant in the environmental movement, only 16% according to a Gallup Poll spanning 2000-2006, could hinder the progression of the movement (McCright & Dunlap, 2008).

Mobilization
While database searches for mobilization and green management yields few articles that mention the role that mobilization of people and/or resources plays in the progression of the movement (e.g., Levy, 1997), we see several examples of mobilized “green” actions in organizations. Interface, Inc. is a company that saved over $50 million in waste elimination in just a three-year time period (Woestendiek, 1998; DuBose, 2000), is exploring new innovations in recyclable materials and utilizing alternative energy sources, and engages in a “Trees for Travel” program that is helping the company achieve their goal of climate neutral transportation (Anderson, 2004). Larger mobilization efforts centered on the broader green movement abound, with various Earth Day campaigns, global summits, and other events.

Goals
The current era of environmental awareness stretches beyond conservation and incorporates an integration strategy in which corporate and environmental goals are inexorably intertwined (Nattrass & Altomare, 1999). Some of the green management goals that organizations have
adopted include becoming sustainable and restorative (Woestendiek, 1998), achieving climate neutral transportation, eliminating harmful emissions, utilizing renewable energy, and redesigning products and processes for recycling (Anderson, 2004; McClanahan, 1998). Unfortunately, not all organizations that claim to practice green management set such lofty goals and such aforementioned goals may conflict with the primary goal of most organizations, making a substantial profit (Pane Haden, Oyler, & Humphreys, 2010). Moreover, business leaders often lose sight of the original ideology of green management (i.e., to better the environment for the benefit of society) and adopt return on investment (ROI) as a primary goal, striving to prove that green management can make a company money (Snyder, 1994).

Leadership
There is not a written history of the rise of leaders in green industries (Silverthorne, 2011). The only article we were able to find on leadership and green management merely stated that effective leadership was one of the variables necessary for good environmental management in an organization (Strachan, 1996). While some organizational leaders have gone to great lengths to make green management efforts successful in their companies (i.e., Ray Anderson, CEO of Interface, Inc.), a single leader of the green management movement has yet to arise and the characteristics of the most effective leader for this particular movement have yet to be identified. It is with respect to the element of leadership that we see the potential to make a useful recommendation to help perpetuate and strengthen the movement.

Integration
We also see the issue of integration hindering the potential success of the green management movement. While Nattrass and Altomare (1999) argue that the most current phases of green management are defined by a strategy of high integration, other researchers are skeptical (e.g., Snyder, 1994). Based on interviews with senior-level managers and directors of corporate environmental programs at several large companies, Snyder (1994) suggested that there is a lack of integration between environmental efforts and other business units, that the environmental programs are often too broad in scope, and that the culture of environmental departments within a company tend to differ from the overall organizational culture.

RECOMMENDATIONS TO PERPETUATE THE GREEN MANAGEMENT MOVEMENT
First and foremost, leaders of the green management movement must remember the original ideology of the green movement and green management and recall that green-industry pioneers did not initiate their ventures solely for the purpose of making money; rather, they developed their businesses to help improve the environment (Silverthorne, 2011). Environmental improvement was their main goal, and for the sake of our society and the generations to follow, we feel that this should always be the primary and overreaching goal of the movement. Perhaps the most effective means by which the movement can remain focused on its original ideology and collectively strive toward the attainment of the shared goal of improving the environment would be to solidify the leadership component of this social movement. While the National Association of Environmental Management (NAEM) is the premier organization of this movement, and has an official leader in its president Kelvin Roth, the organization is labeled as an educational association and we tend to see a myriad of individual leaders functioning within various companies and industries, taking the initiative to
set goals and mobilize resources within their own organizations. Also, there are a variety of “green” organizations (i.e., Conservation International, Green Project Management, etc.) that are in operation for the same or similar purposes as NAEM. Much like we observed with the splinter organizations that existed to further the Hispanic American Civil Rights movement and their respective leaders, an integration of forces into a single, cohesive unit, with a shared identity, common goals, and a leader capable of mobilizing followers to engage in pro-environmental actions could help with the progression of the green management movement. Finally, since there is much uncertainty surrounding the actual fate of our environment, we suggest that a pragmatic leader might be most effective under these unpredictable circumstances (Hunter et al., 2009; Khurana, 2002; Pasternack & O’Toole, 2002).

CONTRIBUTIONS AND LIMITATIONS

One of the primary contributions of this paper is the identification of common elements that are critical to the success of social movements, supported by the archival data of a specific social movement, the Hispanic American Civil Rights movement. While comprehensive literature reviews regarding social movements exist (Tarrow, 1998; Tilly, 2004; Wilson, 1973), we took a step further by substantiating it with actual data from a relevant historical case. Another contribution is the examination of a current social movement, green management, and how its success and longevity could be improved by the information we were able to uncover and the conclusions we were able to draw via our analysis of the existing literature on social movements and our investigation of the case of the Hispanic American Civil Rights movement.

While we view our archival research of the historical case as both informative and instructive, critics may be skeptical of the quality of conclusions that can be drawn based on the exploration of a single case. This is a limitation of case-based methodologies, but not one that is exclusive to them (see Ahmed & Humphreys, 2008). Moreover, we accept this limitation, as examinations of cases often produce significant insights (Rowley, 2002) through an ability to get closer to theoretical constructs than can be achieved by empirical research (Siggalkow, 2007).

CONCLUSION

Although green management has been described as a movement (Pane Haden, Oyler, & Humphreys, 2009), questions still abound concerning the direction and sustainability of green initiatives in organizations. Accordingly, we examined the extant literature in relation to a unique social movement case to identify specific elements common to successful social movements to offer guidance for further development of green management as a contemporary movement.

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THE ETHICS OF RECORD DESTRUCTION
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Keywords: Ethics, Record Destruction, Form 990, Governance, Stakeholder Theory, Nonprofit, Transparency, FAS157

INTRODUCTION

In the introduction to an undisclosed charity’s 2011 Stewardship Report, a statement is made that “We believe the public is entitled to know how we are performing against our stated business goals and evidence-based mission outcomes and how we hold ourselves accountable” (Undisclosed Charity, n.d.). At a time when donors and volunteers have more charitable choices than ever, the Charity’s management and staff understand the obligation of the organization to demonstrate overall effectiveness to those key stakeholder groups.

While performing audit procedures over trust agreements associated with the 2011 annual external audit of the undisclosed charity’s financial statements, it was noted that trust accounting statements that management did not specifically use in the annual financial statement presentation were shredded. This paper provides additional context and addresses the specific question “is it ethical to shred accounting statements not specifically used by management for annual financial statement presentation?”

“Some donors enter into trust or other arrangements under which nonprofit entities receive benefits that are shared with other beneficiaries” (American Institute of Certified Public Accountants, 2011). There are several stakeholders associated with these trust arrangements, including the nonprofit management, the nonprofit board, individual donors and their family members or other beneficiaries, and in some cases, based on individual state law, any interested individual in the state. “The assets that fund such arrangements are sometimes managed by the charity, sometimes by a third-party trustee” (Gross, M., McCarthy, J., Shelmon, N., 2005). Accounting statements are prepared by the third-party trustees and include details to support any activity that has occurred for the trust assets, such as payments to beneficiaries, administrative fees, and investment activity. The activity detailed in these accounting statements can be used for both financial and fiduciary or operational purposes.

The question is an ethical dilemma primarily because uncertainty exists whether one can consider financial performance separate from how corporations communicate with different stakeholder groups and an imbalance may exist in the various stakeholder groups’ expectations for proper stewardship of donations. An argument can be made that any accounting information not specifically used to determine financial performance as represented in the financial statements can be handled in any manner the organization management deems adequate. A counterargument exists that financial information obtained in the current year which could be used by a stakeholder group to assess financial or even operational performance should be maintained.

The question is also an ethical dilemma because “legitimacy theory and corporate social responsibility studies have found evidence to support the notion that firms use communication or accounting to defend or maintain legitimacy in the eyes of society and/or their stakeholders (Tilt, 2009). The ethical question considered in this paper arose because the Chief Financial Officer directed accounting staff to shred all account statements not specifically used by management in their calculation of the year-end trust receivable balance in order to avoid spending resources answering questions regarding activity that occurred.
prior to year-end but not used by management in the year-end financial statement balance (undisclosed VP, personal communication, July 14, 2011).

The area being audited was the year-end receivable estimate calculated by management for the Charity’s beneficial interest in trust assets. The AICPA Audit and Accounting Guide for Non-Profit Organizations defines a beneficial interest in section 6:01 as “a benefit or advantage shared with other beneficiaries as a result of a trust or other arrangement” (American Institute of Certified Public Accountants, 2011). When the undisclosed Charity is named in a trust agreement, a receivable is recorded based on the fair market valuation. Determination of fair value is governed by Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements, (now codified in Topic 820 of the Financial Accounting Standards Board Accounting Standards Codification (ASC)). The context and terminology mentioned in this paper and key stakeholder interests should be considered when addressing the question “is it ethical to shred accounting statements not specifically used by management in the year-end audit?”

**LITERATURE REVIEW**

The process of keeping records involves consideration of legal requirements, ethical standards, and other external constraints, as well as the demands of the particular professional context. The professional context for the ethical question under review is a large nonprofit charitable organization. In June 2005, the Panel on the Nonprofit Sector issued a final report to Congress titled *Strengthening transparency, governance, and accountability of charitable organizations*. The Panel on the Nonprofit Sector is an independent effort by charities and foundations to ensure that the nonprofit community remains a vibrant and healthy part of American society. “Formed by Independent Sector in October 2004 at the encouragement of the U.S. Senate Finance Committee, the Panel prepared a series of recommendations for Congress to improve the oversight and governance of charitable organizations and for individual nonprofit organizations to ensure high standards of ethics and accountability” (nonprofitpanel.org, 2012).

The “heart of the report is its recommendations, which offer a comprehensive approach to improving transparency and governance” (Independent Sector, 2005). The report unfortunately does not address record keeping recommendations for accounting statements not directly pertinent to the year-end financial statements. Additionally, the only nonprofit governance and/or accounting legislation that has occurred since the 2005 report is the revised requirements for Form 990 which will be discussed later in this chapter.

In his book titled *Transparency* Warren Bennis states, “when we speak of transparency and creating a culture of candor, we are really talking about the free flow of information within an organization and between the organization and its many stakeholders, including the public” (Bennis, 2008). Bushman, Piotroski and Smith (2004) investigated corporate transparency and found reasons for how and why corporate transparency varies. They concluded that consideration of both governance transparency and financial transparency required distinction between mandatory and voluntary corporate reporting.

This paper is grounded using literature review of the ethical branch of stakeholder theory, which extends the argument of legitimacy and suggests that an organization is the vehicle for coordinating all stakeholder interests and management has a fiduciary relationship to all stakeholders (Tilt, 2009). O’Dwyer views accounting as “a mechanism aimed at
enhancing corporate accountability and transparency to a wide range of external stakeholders, while addressing the social, environmental and ethical concerns and values of individuals upon whom a business has a non-economic impact” (2006, p. 220). Striking a balance in the delivery of stakeholder expectations associated with various legitimacy demands highlights the context for the particular ethical question raised in this paper.

The International Accounting Standards Board “IASB” established a framework for the Preparation of Financial Statements. The board stated “the objective of financial statements is to provide information about the financial position, performance and changes in financial position of an enterprise that is useful to a wide range of users in making economic decisions” (ISAC, 1989, para. 12). The framework acknowledged that “financial statements do not provide all the information that users may need to make economic decisions since they largely portray the financial effects of past events and do not necessarily provide non-financial information” (ISAC, 1989, para. 13).

In addition to reviewing the accounting standards relating to this transaction, it is also important to review the document retention requirements. The Internal Revenue Service “IRS” recently revised the requirements for Form 990. This was the first revision since 1979. The IRS explained the reasons for the change in a background paper, stating “The Form 990 is a public document that is the key transparency tool relied on by the public, state regulators, the media, researchers, and policymakers to obtain information about the tax exempt sector and individual organizations” (Internal Revenue Service, n.d.). Among the new questions on the Form 990 is the inquiry “Does the organization have written policies on conflicts of interest, whistleblowers, and document retention?” (Green, J., Moskowitz, S., Bakal, A., 2009). The new questions are raised not only to address if the policies are in place but also “how the policies are enforced” (Green, J., Moskowitz, S., Bakal, A., 2009).

Section 404 of the Sarbanes-Oxley Act resulted in the creation of new document retention requirements. A publicly traded company “must maintain evidential matter, including documentation, to provide reasonable support for the assessment of internal control” (Sneller, L., Langendijk, H., 2007). Compliance with section 404 of the Sarbanes-Oxley Act is not a current legal requirement of nonprofit entities. However, stakeholder expectations dictate voluntary compliance. Finally, the “Code of Professional Conduct of the American Institute of Certified Public Accountants consists of two sections: 1) the Principles and 2) the Rules (Duska, R., Duska, B., 2003). Compliance with the Code of Professional Conduct, as with all standards in an open society, depends primarily on members’ understanding and voluntary actions.

This chapter reviewed the academic and professional literature related to the ethics associated with record destruction. The literature demonstrates there is guidance but often not a mandatory compliance requirement for retention of information not specifically used in the audited financial statements. The literature explores the concept of management of stakeholder interests in the nonprofit sector, which support the origins of the ethical dilemma raised in the first chapter. The next chapter will introduce an ethical model by which the question of shredding documents given the aforementioned criteria can be further analyzed.

ETHICAL DECISION METHODOLOGY
In order to address the ethical dilemma outlined in the introduction of this paper, review and consideration of business and accounting ethical decision methodologies was necessary. The context and terminology previously outlined in this paper and the balance of multiple nonprofit stakeholder interests requires application of an ethical decision making methodology to arrive at an acceptable answer when addressing the question for an accounting practitioner perspective of “is it ethical to shred accounting statements not specifically used by management in the year-end audit?”

The American Accounting Association “AAA” adopted an ethical decision model. The AAA model comes from a report written by Langenderfer and Rockness in 1990 (Langenderfer, H., Rockness, J., 1990). In the report, they suggest a logical, seven-step process for decision making, which takes ethical issues into account.

The AAA model includes the following steps: Step 1. Determine the facts. This step means that when the decision making process begins there must be no ambiguity about what is under consideration. Step 2. Define the ethical issues. This involves examining the facts of the case and asking what ethical issues are at stake. Step 3. Identify major principles, rules and values. This step involves placing the decision in social, ethical and professional behavioral context. In the last context, professional code of ethics is considered. Step 4. Specify the alternatives. Step 5. Compare values and alternatives and see if the decision is clear. When step 5 is complete, it should be possible to see which options align with the norms and which do not. Step 6. Assess the consequences, and Step 7. Make the decision. (Langenderfer, H., Rockness, J., 1990).

Cavanagh et al. (1981) identified three basic ethical philosophies, each of which represents a unique component of ethical situations faced by individuals in business organizations. The first is utilitarianism. The second philosophy is individual rights. This philosophy focuses on protecting individual rights such as the right to be informed or the right to due process, etc. The third ethical philosophy is justice. Such an ethical system stresses social justice and the opportunity for all individuals to pursue happiness.

Fritzsche and Becker (1984) concluded that most individuals allow one of these philosophies to dominate their ethical decisions with the utilitarian philosophy being dominant among business managers. Accountants frequently invoke cost/benefit methods into their discussions and evaluations of various topics. “Utilitarianism rests on the idea that the ends justify the means, but this is logically equivalent to the notion that one should engage in projects in which the benefits exceed the costs” (Armstrong, M., Ketz, E., Owsen, D., 2003). A limitation of utilitarianism is that while it seeks to bring about the greatest good for the greatest number, it has no way of protecting minority interests. As such, utilitarianism will be incorporated in the model as a potential reason for the management action that led to the ethical dilemma, but will not be the sole consideration for answering the ethical question.

Deontology focuses on moral obligation, rights and duties, and examines the act itself, not just the consequences of the act. “Deontological concepts are often applied in accounting courses, because emphasis in accounting is on principles (e.g. matching and revenue recognition) and “the right way to do it,” regardless of the consequences” (Armstrong, M., Ketz, E., Owsen, D., 2003). Deontology application is limited for the ethical dilemma associated with shredding accounting documents not used in the year-end financial statement presentation because the question requires consideration of uses for the shredded documents outside of the year-end presentation. However, deontological concepts will also be incorporated to discuss the results of selection of potential courses of action identified through application of the decision making model.

In an attempt to resolve the ethical dilemma in answer to the question “is it ethical to
shred accounting statements not specifically used by management for annual year-end audit financial statement presentation?” a modified AAA ethical decision making model will be utilized as a cornerstone using all seven steps of the AAA model but expanding steps 1, 4, and 6 to include application of basic normative philosophical theories coupled with consideration of pragmatic tools for assessing legal and corporate political system implications.

Ethical Decision

The question “is it ethical to shred accounting statements not specifically used by management for annual financial statement presentation?” will be applied further through this chapter and a decision will be identified. The modified AAA ethical decision making model will be utilized and any decision reached.

Step 1’s requirement is to determine the facts. The facts are the auditor has been informed current year monthly accounting statements not specifically used by management in the year-end financial statement presentation were shredded. The facts surrounding the question also include management’s position that the decision was made to shred documents because management did not use those statements for the annual audit purposes and does not want to spend additional resources answering questions that may be raised by the auditor during an assessment of the year end valuation of trust receivable calculations. Operational usefulness is however also provided through the monthly review of the accounting statements not utilized in the year-end financial statement presentation. Investment activity can be analyzed, trustee performance and even abuse can be detected, and an analysis of monthly income and expenses and status of beneficiaries can occur. These operational considerations are deontological concepts included in consideration of the facts. Management’s justification of the shredding based on a perceived cost savings associated with the external audit resources is a utilitarian concept that will also be considered.

Step 2’s requirement is to define the ethical issues. The ethical issue is whether or not management directed the shredding of accounting documents for a purpose other than reducing the potential for additional resources in time and money by addressing questions that may arise through review of the statements in the normal course of year-end financial statement audit efforts.

Identification of major principles, rules and values occurs in Step 3. This step will be expanded to include legal rules and corporate requirements. The norms, principles, and values are management has a fiduciary duty to stakeholders to have impeccable integrity and to ensure the company is providing a ‘true and fair view’ of its financial situation at the time of the audit. Auditors are entrusted with the task of opining on a company’s financial accounts and anything that prevents or interferes with an auditor’s due diligence could lead to a failure of the auditor’s duty to stakeholders.

Since the undisclosed Charity operates as several independently chartered entities, state law in each chartered location has an impact on how fiduciary responsibilities are articulated and enforced. The undisclosed Charity complies with California state law as a minimum governance standard. In the context of California charities, the State of California considers charitable funds to belong to the public. Directors of nonprofit public benefit corporations have a statutory duty of care and according to California Corporate Code § 5231, “Directors must use such care, including reasonable inquiry, as an ordinary prudent person in a like position would use under similar circumstances. This duty requires familiarity with the organization’s finances and activities and regular participation in its governance” (CAL Corp Code § 5231). According to California Probate Code section 16047 a “duty of care is
imposed on trustees in the State of California. A trustee in California has a standard of care for investment and management of the trust’s assets” (CAL Probate Code § 16047).

The Charity’s code of ethics states “consistent with the provisions of any applicable document retention policy, no associate shall falsify, destroy, mutilate, conceal, or fail to make required entries on any record within the associate’s control, including the destruction of documents that are the subject of an investigation or a civil or criminal action to which the Charity is a party” (Undisclosed Charity, n.d.). The record retention policy at the undisclosed Charity does not address the requirements specific to trust agreements and their supporting documents which include monthly trust accounting statements. The record retention policy does indicate that any destruction of records requires thirty days advance notice to all interested parties so that all parties are involved in the destruction decision (Undisclosed Charity, n.d.). While it is not known if management was familiar with the record retention policy, thirty days advance notice was not provided to potential interested parties, including the internal and external auditors and legal staff responsible for management of probate trust assets.

Step 4 involves specification of the alternatives. Option one is to not order the destruction of records that may raise questions and require resources to address. Option two is to determine the records can be destroyed because the operational usefulness does not outweigh the potential cost of addressing questions that may result in a change in the year-end financial statement valuation and the activity is not deemed potentially illegal. Option two can be selected if it is determined that fiduciary responsibility is not violated by the activity and if stakeholders are willing to require external and internal auditors to spend additional resources obtaining the shredded accounting statements directly from the independent third party trustee if they have an interest in review of the content.

Step 5’s requirement is to compare values and alternatives and see if the decision is clear. The course of action most consistent with the norms, principles, and values in Step 3 is to not shred documentation because it is a violation of both the Charity’s record destruction principles for notification of interested parties and it is a potential violation of California state law because it weakness the ability of the undisclosed Charity to demonstrate duty of care in investment and management of trust assets.

Step 6’s requirement is to assess the consequences. As a result of option one, management would not direct the destruction of records that may raise questions and require resources to address. Management may spend additional resources in time and money to address any questions that arise during the year-end audit procedures. Management may be forced to admit an error in accounting valuation.

From a transparency and corporate governance perspective, the fact that management directed documents to be shredded for the sole reason of reducing questions that may be asked by an auditor during the year-end financial statement audit should naturally lead any donor, investor, partner, employee, or other stakeholder to ask “what else would they shred when it really matters, or what else have they already shredded?” Option one would allow management to maintain and enhance the reputation and social standing of the organization, maintain public confidence in the audit results, and would serve the best interests of most stakeholders.

As a result of option two, management would risk being in both reputational integrity jeopardy and legal trouble if the destruction of the records was made public to key stakeholders. Documents and records can be: The smoking gun proving fraud, lack of oversight or mismanagement of assets, employment discrimination, sexual harassment,
conflict of interest, etc. The evidence that disproves fraud, lack of oversight or improper
management of assets, employment discrimination, sexual harassment, restraint of trade,
conflict of interest, etc.

One other consequence to address is whether or not the management direction to shred
was profitable. This question ties to the normative theory of utilitarian and is of interest to
accounting professionals because it addresses the topic of profitability and cost versus benefit.
The total hours spent researching questions and spending resources for external audit
additional questions in the prior year for the area of trust accounting is best estimated at what
was tracked by Internal Audit at 75 hours. Using a blended charge rate for external audit
resources of $180 per hour, the benefit of shredding accounting can be estimated as $13,500.
In an organization where the annual fees are approximately $1,500,000 annually, the benefit
of shredding documents that may raise legal and transparency or governance questions does
not outweigh the cost.

The final step of the AAA model is to make the decision. Therefore, the final decision
reached through application of the model is the management action identified in the question
of “is it ethical to shred accounting statements not specifically used by management in the
year-end audit?” is deemed unethical. Management should be open to questions and should
demonstrate accountability, transparency and proper governance practices.

Implications

Management’s decision to direct the shredding of accounting statements they did not
feel were pertinent to the year-end financial statements was unethical. This decision was only
realized through careful analysis of accounting and ethics literature as well as objective
application of accounting and business ethical decision models.

There are two primary reasons the position reached in chapter four is correct. First, a
modified version of the robust and widely accepted model from the American Accounting
Association was applied. The application of the modified AAA model highlights a concern
that the activity was not only a violation of norm and practices in the Undisclosed Charity by
violation of the records destruction policy but the risk of legal implications is also raised after
consideration of California probate law. Secondly, why utilitarian concepts were considered
in the modified model, utilitarian rationale cannot be the sole determinant for manage
ment decision in this case because the minority interests cannot be assured or even known at the
time of the destruction.

This paper illustrates the need for continued exposure and elevation of the topic of
ethics in importance in accounting curriculum. The external auditors for the case under review
were made aware of the destruction of the records, yet they did not question the ethical impact
of the management action. They took the position that if the uses for those shredded
accounting statements were mainly operational effectiveness and efficiency functions outside
of the financial statement from which they were opining, the issue would be more of a
violation of company policy relating to record destruction rather than an ethical issue. No
consideration was placed on what else could have been destroyed that may have a financial
statement impact and no consideration was placed on modeling the dilemma in the format
highlighted in chapter three. The question arises ”were these external audit professionals
trained adequately in their education and subsequent professional training to discuss potential
ethical issues or were they trained solely to opine on the financial statements presented to
them from management?"

The danger of teaching classical ethical theories in isolation (for example teaching only to look at utilitarian approaches such as a cost versus benefit analysis) or even as merely theory concepts is that students may be left with the impression that they are equally appropriate or always morally justifiable. If instructors nonetheless teach these theories to students, the instructors should explain the strengths and weaknesses of each.

While the role of individual cases to instruct students in accounting ethics appears essential, thought must be given to the selection of the cases that serve to best illustrate the ethical principles that the community of accountants has chosen as essential moral principles. Additionally, accounting educators who teach about the AICPA Code of Professional Conduct should be cautious about teaching the material as an end in itself, rather than as a means of understanding professional responsibilities. To focus on the rules of professional conduct deprives an individual from the practice of critical thinking and professional judgment and leaves room for ambiguity. An alternative approach to teaching detailed rules, such as independence rules would be that such an assignment that combines group work, research skills, critical thinking skills, writing, and ethics. It treats the rules as something that the students should be able to research, because compliance is important to the profession, but does not treat the rules as “answers” or ends in themselves. Even though accounting students may be exposed to ethical issues more often than other business students, this case demonstrates simple exposure to ethical issues may be necessary, but not sufficient, to change students’ and ultimately professionals’ ethical behavior.

REFERENCES

CAL Corp Code § 5231
CAL Probate Code § 16047


EMOTIONAL LABOR AND ITS OUTCOMES: A STUDY OF A PHILIPPINES CALL CENTER

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ABSTRACT

Emotional labor, such as that done by a customer service representative in a call center, can lead to high stress levels. We tested a model linking job stress to job satisfaction, organizational commitment and intention to turnover using data collected from 439 employees in the Philippines. Our findings indicate that these call center employees were suffering emotional stress rather than physical stress leading to job dissatisfaction, reduced organization commitment and ultimately increased intention to turnover. Turnover is reported as a serious and increasing problem in call centers and this research addresses the role of stress in turnover.

INTRODUCTION

Call center work, as is true of many types of service work, has been classified by researchers as emotional labor (Townsend, 2007). Emotional labor is defined as “the process of regulating both feelings and expressions for organizational goals” (Grandey, 2000 p. 97). The customer service representative must be pleasant and friendly in representing the organization despite what may be an irate customer that is unhappy, worried or angry. This “smiling down the phone” (Townsend, 2007 p. 477) despite personal feelings can cause emotional dissonance in the customer service representative leading to emotional exhaustion and stress (Kiffin-Petersen, Jordan and Doutar, 2011). It has been found that acting cheery and friendly when in fact that is not how you feel has been shown to be related to turnover among call center employees (Goodwin, Groth and Frenkel, 2011).

The Philippines, with its growing call center outsourcing (Cerojano 2012,) has become the premier location for outsourced call centers and has surpassed India as having the largest number of call center jobs, as well as the largest revenue from these jobs (Yun and Chu 2011). Three hundred fifty thousand English proficient students graduate every year with an accent that is more American when speaking English, and a strong familiarity with American culture. Alternatively, in Indian call centers potential employees are more familiar with the British accent, phraseology and culture than American and some Americans report finding them difficult to understand. In 2010 the Philippines call centers industry was valued at 5.7 billion dollars which exceeded the 5.5 billion dollars of call center work in India (Srivastava, 2010). The Philippines call center industry in 2010 employed 530,000 people and represented 6 percent of the Philippines’ gross domestic product. Therefore the impact of human resource practices in this industry is of interest both to the countries outsourced, to well as the organizations that are outsourcing to these countries.

Given the pressures of call center work, in an economy where industrialization is increasing, an important HR concern is that of employee stress. According to the UN’s International Labor Organization (ILO), Philippine call center employees have 0.3 hours less sleep daily than non-call center employees, 22% more report smoking, and 85% admitted to alcohol consumption after work (Vizcarra, 2011). Further, despite earning 53% more than other
same-age workers (Vizcarra, 2011), the turnover rate in call centers in the Philippines is reported extremely high at 30%, (Vizcarra, 2011), 50%, (Colon, 2011) and 60-80%, (Gonzales, 2010). This suggests a call center is an ideal environment in which to study stress and whether western theories concerning stress and its impacts are appropriate in this culture.

The World Health Organization considers employee stress a world-wide crisis with employees from within developing and Newly Industrialized Countries (NICs) at significant risk due to rapid development and the changing nature of the work environment (Houtman et al. 2007, Bahrami 2010, Lehtinen 2010). The World Health Organization calls for research on work stress in the Asia-Pacific region to better understand how country and cultural differences impact the effects of employee work stress (Houtman et al. 2007). “Differences in cultural values are seldom examined as determinants of how people react to stress” (Xie et al. 2008, p. 831).

Western research has consistently reported that the physical and emotional effects of excessive work stress are related to decreased reports of job satisfaction, organizational commitment and increased intentions to turnover (Schaubroeck et al. 1989, Firth et al. 2004, Siong et al. 2006, Podsakoff et al. 2007). Whether these findings will remain consistent for employees from within the Asia-Pacific region is not yet known, however, many researchers have called for such an investigation (Rousseau and Fried 2001, Tsui 2004, Budhwar and Debrah 2009). “Research agendas tend to be dominated by theories developed for Anglo-American contexts that are insufficiently adapted to local circumstances” (Meyer 2006, p. 120; see also Rousseau and Fried 2001, Tsui 2004). Thus, this paper is designed to test the physical and emotional effects of work stress on employee attitudes and intentions, using respondents consisting of employees of a call center which was outsourced to the Philippines from a Western country.

Stress Process Theory

Work stress and its effects have been of great interest to researchers and managers alike because of its potential impact on the ability of the organization to efficiently and effectively achieve its goals. Stress includes emotional and physical responses, including reported feelings of job burn-out, frustration, loss of appetite, and stomach upset. Stress is caused by stressors. Within organizational research, stressors related to the job are the focus of concern. These work related stressors are those job and organizational characteristics that create stress in the individual employee. Figure 1 displays common work stressors and their relation to stress.

![Figure 1 The relation between common work stressors and stress](image-url)
positions often are conducted in environments that include excessive noise, chemical or other odors, and poor temperature control. Additional physical stressors include poorly designed office environments that create muscle fatigue and repetitive task injuries. Social stressors are those based on the relationships between individuals on the job. These include unresolved or excessive conflict, harassment, bullying, and excessive monitoring by supervisors (Xie et al. 2008). It is common for organizations within developing and NICs to compete by operating around the clock to maximize labor efficiencies. This results in stressors based on the work schedule. Long work days, forced overtime, shift work and over-night shifts are all components of work schedule stressors (Jamal and Baba 1992). Stressors related to the tasks assigned to the job are also among the common work stressors as discussed by Sonnentag and Frese (2003). These include assignments that are very complex. However, tasks that are overly simple and tedious can also be considered stressors (Budhwar et al. 2009). Having too much work to perform and extreme time pressures are also aspects of the job that can be classified as task stressors.

Stress
Stress is the negative result of excessive stressors. Although research has been inconclusive concerning the exact strength of this relation, depending upon measurement methods, findings consistently support the idea that excessive work stressors lead to increased physical and emotional stress (Sonnentag and Frese 2003). Physical stress includes negative health consequences, both short and long term. Examples of short term physical stress are headaches, sleep disturbances, and stomach upset. Long term physical stress includes heart disease and threats to the immune system (Selye 1978, Houtman et al. 2007). Emotional stress can also be both short and long term. Short term emotional stress includes anxiety and mood disturbances. Long term consequences of emotional stress include burnout and a variety of mental illnesses (Selye 1978, Houtman et al. 2007). One study of call centers found that across 28 different call centers located in Sweden, sixty one percent of the respondents indicated scores suggesting they are in the high stress category (Kjellberg, Toomingas, Norman, Hagman, Herline and Tornqvist, 2010).

The relation between stressors, stress and employee attitudes
Although some of the individual relations between stressors, stress and employee attitudes and intentions have been tested using subjects from within the Asia-Pacific region, much of this published research is based on comparing the reported values of these constructs between two or more countries (Budhwar and Debrah 2009, Poon and Rowley 2007). For example, Liu et al. (2007) concluded that employees from China reported significantly more work stressors and stress and were significantly less satisfied with their jobs than were employees from the United States. Using a similar comparison methodology, Chen et al. (2005) compared accounting employees from Taiwan and the US. Their findings indicated that there were no significant differences in reported levels of stress between the two groups. However, employees from Taiwan reported lower levels of organizational commitment than did the US group. Although the relative differences in the strength of these constructs are interesting, these comparisons do not offer much insight into the generalizability of Western theories to predict and understand the stress response of Asia-Pacific employees from NIEs.

It is valuable to go beyond simple comparisons to research findings that demonstrate the relation between two or more of the variables associated with employee stress. For example,
using a sample of New Zealand call center employees, Ashill et al. (2009) found support for the relation between work stressors and stress (burnout). In addition, the relation between work stressors and stress was supported using samples from China (Xie et al. 2008, Jamal 2010) and Malaysia (Jamal 2010). Spector et al. (2007) tested the relation between stress, job satisfaction, and intention to turnover for managers in 20 countries, including Hong Kong, Japan, South Korea, China, and Taiwan. Their findings indicated that increases in stress were related to decreases in job satisfaction and increases in intention to turnover, and increases in job satisfaction were related to decreases in intention to turnover. However, the strength of these relations differed between countries with the strongest relations found in Anglo countries. Spector and his colleagues did not report individual results for each of the Asian countries in their sample, instead reporting results for the entire population studied, both newly industrialized (China) and advanced economies (Hong Kong, Japan, South Korea, and Taiwan) combined. Whether the results will be the same when separated for individual NIEs is of interest to both researchers and human resource professionals. Given the findings suggested above, we propose the following hypotheses:

**Hypothesis 1a:** Increases in stress are significantly related to decreases in job satisfaction for employees from the Philippines.

**Hypothesis 1b:** Increases in stress are significantly related to increases in intention to turnover for employees from the Philippines.

**Stress, job satisfaction and turnover**

Goodwin, Groth and Frenkel (2011) conducted a study in call centers to study emotional labor which deals with employees regulating their emotions in response to “actual or anticipated discrepancies between felt emotions and perceptions of expected emotional displays” (Goodwin, Groth & Frenkel; 2011, p. 528). Since an employee displaying a positive emotional display has been shown to be the most important aspect of service quality (Goodwin, Groth & Frenke, 2011; Grandey, 2000; Kiffin-Petersen, Jordan, & Soutar, 2011), the call center employee must remain positive even when dealing with irate customers. Surface acting (“i.e., the expression of emotions not actually felt by suppressing felt emotions, amplifying the expression of a weakly felt emotion, or faking unfelt emotions”) was found to be directly related to turnover and emotional exhaustion (Goodwin, Groth & Frenkel; 2011, p 528; Kiffin-Petersen, Jordan Souter, 2011).

Although Lacity et al. (2008) did not study stress specifically; they did test the relation between employee attitudes and intentions using a sample of Indian information services professionals. Their findings indicate that although job satisfaction was significantly related to turnover intentions, organizational commitment was not significantly related to either job satisfaction or intention to turnover. These results suggest that very basic employee attitude/intention relations cannot be assumed for employees within the Asia-Pacific region. Thus, we propose the following hypotheses:

**Hypothesis 2a:** Increases in job satisfaction are significantly related to increases in organizational commitment for employees from the Philippines.

**Hypothesis 2b:** Increases in job satisfaction are significantly related to decreases in intention to turnover for employees from the Philippines.
Hypothesis 3: Increases in organizational commitment are significantly related to decreases in intention to turnover for employees from the Philippines.

Proposed job stress model
Advancing employee stress theory, Western researchers have also suggested a number of comparable employee stress models proposing a structural relation between stressors, stress, and employee attitudes and behaviors. Most are based on a generalized turnover model (Steers 1977, Hendrix et al. 1985, Brett and Drasgow 2002, de Croon et al. 2004). That is, increased stressors lead to increased stress, which leads to decreased reported job satisfaction, which in turn leads to decreased organizational commitment and then increased intentions to turnover and ultimately increased employee turnover. Nearly all of these employee stress models suggest that stress mediates the relation between employee stressors and employee attitudes and that employee attitudes mediate the relation between stress and intentions to turnover (Schaubroeck et al. 1989, Elangovan 2001, Cropanzano et al. 2003, Firth et al. 2004).

Research does provide some support for a basic employee stress model that can be generalized across countries. For example, Tate et al. (1997) sampled retail salespersons from the US, Colombia, and Japan. Their findings support the stressor stress relation for all three countries and that employee attitudes (job satisfaction and organizational commitment) mediated the relation between stress and intention to turnover. Siong et al. (2006), using a sample of call center employees from Australia, measured stressors but not stress. However, their findings provided support for the generalizability of the employee stress model. Their findings also indicate that job satisfaction, both directly and indirectly (through commitment), impacted intentions to turnover. Schaubroeck et al. (2000) studied the cultural impact of individualism/collectivism on the relation between stressors and the amount of control employees had over their jobs using a matched sample of bank tellers from the US and Hong Kong. Their findings indicate that although there was some generalizability of the relation between stressors and control across countries, significant individual and cultural differences were identified in coping with job stress.

Using a meta-analysis of 183 independent samples, Podsakoff et al. (2007) tested a theoretical model of the relation between job stressors, stress, and employee attitudes, intentions, and behavioral work outcomes. The model is based on earlier work by Schaubroeck et al. (1989). A simplified version of the tested model appears in Figure 2. Their model separates stressors into two categories. Those that are considered hindrances to successful work outcomes and those that are considered challenges. Although they were found to impact employee attitudes and withdrawal intentions oppositely, these stressors combine to increase stress. Thus, both hindrance and challenge stressors were positively related to increases in stress. That is, even those job characteristics considered challenges increased the physical and emotional stress reported by employees. Increases in stress were significantly related to a decrease in job satisfaction. In turn, job satisfaction was positively related to organizational commitment and negatively related to turnover intentions. Organizational commitment was also negatively related to turnover intentions. The final portion of the model demonstrated support for a positive relation between turnover intentions and actual turnover.
There are considerable individual differences in terms of what might constitute a work stressor, with one job characteristic considered a stressor for one employee, an insignificant point for the next, or a source of motivation for a third (Selye 1978, Barsky et al. 2004). This individual difference in the responses to job characteristics makes it difficult to directly study the effects of work stressors and is the cause of much debate in the stress literature. When individual differences are combined with cultural or nationality differences, the ability to understand or predict the effect of work stressors on employee attitudes and intentions becomes quite complicated, often necessitating longitudinal research designs (Sonnentag and Frese 2003). To remove these individual difference complexities, testing of the model can begin with work stress by assuming the stressor stress relation. This approach is reasonable given the original definition of a stressor is that which causes stress (Seyle 1978). In addition, measuring actual turnover is a challenge not easily overcome given organizational and research constraints. A modified model appears in Figure 3.

Organizational decision making based on the assumption that the relations in the simplified employee stress-attitude model are accurate is common for Western human resource professionals. For example, recommendations are often made to reduce stressors, improve employee health in order to provide additional resistance to stress, and provide stress management training (i.e. relaxation techniques) for employees (Sonnentag and Frese 2003). The ultimate goal of these efforts is an attempt to improve employee attitudes and reduce intentions to turnover. These same recommendations are commonly offered for Asian-Pacific countries (Lehtinen 2010), even without substantial evidence that the model is appropriate for employees from NIEs located within this region of the world. It is our intention to test this modified employee stress model to determine if the model can generalize to the Philippines. Thus, the following hypothesis is proposed:
ABREVIATED METHODOLOGY

Subjects. Respondents included a random selection of 439 full-time customer service employees working in a multinational call center. Employees were on average 26 years old (mean = 26.23; s.d. = 5.39) and primarily female (56%).

Procedures. Survey items were displayed in English, as the Philippines respondents routinely complete their job tasks in English. Respondents were invited by their employers to participate and directed to an electronic version of the survey to complete during work hours. Responses were both voluntary and anonymous.

Measures
Stress. Work stress was measured both as the emotional (4 items) and physical (4 items) reactions employees experience related to their work environment (Tate et al. 1997). Stress was measured on a 6 point scale from 1 ‘never’ to 6 ‘almost every day’, so that higher scores are an indication of increased work stress symptoms. Sample items include “I feel emotionally drained by my job” and “Job-related problems keep me awake at night.”

Job Satisfaction. Job satisfaction is the measure of respondents’ level of satisfaction with their current position. The job satisfaction scale contained 8 items including an equal number of both intrinsic and extrinsic job satisfaction measures on a ten point scale ranging from 1 very dissatisfied to 10 very satisfied (Tate et al. 1997). Higher scores are an indication of increased job satisfaction. Sample items include measures of satisfaction with the “pay you receive for your job” and “the type of work you do.”

Organizational Commitment. The organizational commitment scale consisted of 5 items designed to measure the employee’s feelings of belonging and loyalty to their current company (Tate et al. 1997). Items were measured on a 10 point scale ranging from 1 strongly disagree to 10 strongly agree; with higher numbers indicating an increased commitment to the company. Sample items include “I feel proud to work for this company” and “I really care about the future of this company.”

Intention to turnover. An employee’s intention to leave the company was measured using two items adapted from Seashore et al. (1982). Items were also measured on a 10 point scale and reverse coded with higher numbers indicating an increase in thoughts and intention to leave one’s position. A sample item includes “I seldom think about leaving my present job.”

Measure validation and reliability
All items loaded on the latent constructs as expected. The Average Variance Extracted (AVE) of each these constructs exceeds the threshold of 0.50 suggested by Chin (1998). Further, Fornell and Larcker (1981) suggest that attaining the threshold for AVE of 0.50 also meets the criteria for discriminant validity. The composite reliabilities are well above the minimum value of 0.70 suggested by Gefen et al. (2000) and are also indicators of convergent validity. These results are shown in Table 4 including the Cronbach’s alpha values of the factors.

Table 1. Average Variances, Composite Reliabilities, Cronbach’s Alphas, and R Squares
Measure & AVE & Composite Reliability & Cronbach’s Alpha & R Square
\hline
Emotional Stress & 0.77 & 0.93 & 0.90 & - \\
Physical Stress & 0.69 & 0.90 & 0.85 & - \\
Job Satisfaction & 0.63 & 0.93 & 0.92 & 0.26 \\
Org. Commitment & 0.80 & 0.95 & 0.94 & 0.48 \\
Intention to Turnover & 0.68 & 0.81 & 0.56 & 0.19 \\
\hline
n = 439

Results

Hypotheses 1 to 3 results

Tests of hypotheses H1 to H3 were conducted using correlation analysis to determine whether the proposed individual relations exist (See Table 2 for the correlation matrix). Hypothesis 1a, which suggested a significant negative relation between stress and job satisfaction, is supported for both emotional and physical stress ($r = -0.49, -0.34; p < .01$). Hypothesis 1b, which suggested a significant positive relation between stress and intention to turnover, is supported for both emotional and physical stress ($r = 0.26, 0.19; p < .01$).

Hypothesis 2a, which proposed a positive relation between job satisfaction and organizational commitment, was supported ($r = 0.68, p < .01$). Analysis of Hypothesis 2b, which proposed a negative relation between job satisfaction and intention to turnover, resulted in a significant negative relation ($r = -0.35, p < .01$). Hypothesis 3 proposed that an increase in organizational commitment is negatively related to intention to turnover. The results indicate a significant negative relation ($r = -0.39, p < .01$). Thus, the results of the direct relations between increased employee stress symptoms are negatively related to employee attitudes concerning job satisfaction and organizational commitment and positively related to employee intention to turnover.

Table 2. Correlations for Study Variables

<table>
<thead>
<tr>
<th>Measure</th>
<th>1.</th>
<th>2.</th>
<th>3.</th>
<th>4.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Emotional Stress</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Physical Stress</td>
<td>0.70</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Job Satisfaction</td>
<td>-0.51</td>
<td>-0.37</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Org. Commitment</td>
<td>-0.42</td>
<td>-0.29</td>
<td>0.69</td>
<td></td>
</tr>
<tr>
<td>5. Intention to Turnover</td>
<td>0.26</td>
<td>0.20</td>
<td>-0.37</td>
<td>-0.41</td>
</tr>
</tbody>
</table>

All values significant at $p < 0.01$; n = 439

DISCUSSION
The results of this study advance the issue of whether human resource theories and models developed in the Western world will be useful when applied to the employees from the Philippines, particularly as industrialization of this area continues. It is interesting to note that emotional stress has a strong relation to both types of job satisfaction as well as the combined overall measure while physical stress was not related to job satisfaction for the call center employees in our sample. Emotional stress was also related directly to organizational commitment but not directly to intention to turn over. This finding is consistent with work stress theory based upon Western research routinely accepts that increased levels of work stress will lead to significant increases in intention to turnover but only with respect to emotional stress.

This call center in this newly industrialized nation of the Philippines appears to have the same issues with emotional stress that have been found in Western call center organizations. This is not entirely surprising since many of the customers they are dealing with are the customers that have been outsourced from the Western Nations. Research should be conducted to determine whether the same effect is seen when the call center employees in the Philippines are dealing with customers from their own culture.

Thus, emotional stress would seem to be a main type of stress in this, and possibility, many call centers rather than physical stress. Physical stressors such as equipment do not appear to yet be a problem perhaps due to the newer infrastructure. However, this may change over time as newly constructed facilities begin to age these concerns may increase. Training agents to deal with difficult customers, possible job redesign including escalating the difficult customers to those with more training and the ability to address their issues, and HR interventions to reduce employee stress are needed.

Results consistent with Western theory were also found for the positive relation between job satisfaction and organizational commitment. With government focus on the growth of the call center industry in the Philippines it is important that as opportunities in the industry increase that the employees remain committed to the organization. This is an important finding for the HR professional operating in the Philippines to help organizations retain the best employees.

The current study has some limitations. Since this is a cross sectional study all measures were collected at a single point in time using self-reported attitudes possibly resulting in common method bias. Although there was no need for the translation of the questionnaire, and the data was subjected to extensive measurement validation and the employees are employed for their English language skills, there is always the possibility that the survey questions were not interpreted as expected. Further research into the use of these commonly accepted Western measures in other countries and industries should be undertaken. Although this study concentrated primarily on entry level jobs in a newly industrialized country, the impact of stress on other levels of employees is also important, especially since stress tends to increase as the level of responsibility increases higher up the organizational ladder.

Management Relevance

Our findings are important for multinational corporations considering business processes outsourcing. Our results lend support for the use of Western job attitudes theories in the Philippines call center (Lacity et al. 2008). Since the policies and practices applied in one
country may not translate into successful policies and practices with the desired outcomes in another country, support for a generalizable model is the first step in determine the suitability for cross country HR practices.

Although the Philippines has a large population, labor shortages continue as many residents lack the appropriate skills or experience needed to meet the growing demands of a global marketplace (World Bank 2010). Potential labor shortages make any improvements in labor relationships a significant factor in the ability of the organization to successfully meet its goals. As such, our findings offer some practical implications for HR managers operating in the Philippines. HR can plan under the assumption that programs designed to reduce employee stress can be expected to lead to increases in reported job satisfaction. Job satisfaction has been demonstrated as a mediator of organizational commitment and ultimately employee intentions to turnover. Western turnover theory suggests this can be a lengthy process, with long periods of time between dissatisfaction and actual employee turnover (Brett and Drasgow 2002). As such, HR managers in the Philippines may have both an indicator of potential problems related to employee stress and time in which to observe the benefits of their stress management programs. The call center environment in the Philippines, with its reported high turnover rate, provides a fertile environment in which to study the outcomes of stress during this period of industrial development.

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CORE INCOMPETENCY AND TACIT STUPIDITY: THE SHADOW SIDE OF STRATEGY
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ABSTRACT
The strategic literature is littered with how firms generate, and leverage core competencies. The literature tends to avoid addressing firms' core incompetencies, resources or capabilities that deter firm success. This paper will initiate an exploration of the shadowy underside of business strategy by identifying what core incompetencies are and two examples of core incompetencies, tacit stupidity and strategic architecture failure. The paper uses anecdotal illustrations to exemplify each type of core incompetency.
Key Words: Core competencies, Organizational Knowledge, Tacit Stupidity

INTRODUCTION
The business strategy literature tends to focus on how firms can gain competitive advantages through acquiring core competencies. The literature is littered with a variety of ways a firm can identify, generate, and leverage its core competencies based on environmental, value chain, or resource-based analysis (Porter, 1980; Barney, 1986). This paper takes an obverse view and examines the shadow side of strategy to begin to explore the role of core incompetencies, resources and capabilities a firm possesses that deter the firm from succeeding.

WHAT ARE CORE COMPETENCIES AND CORE INCOMPETENCIES?
Core competencies are defined as “the collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple streams of technology” (Prahalad & Hamel, 1990:82). Core competencies require both the organizational knowledge necessary to compete and the strategic architecture to apply organizational knowledge across multiple and varied markets and provide structure and guidance of which competencies to build and what technologies to employ (Prahalad & Hamel, 1990). The organizational knowledge and strategic architecture of core competencies provide sources of differentiation that provide superior returns, cover a range of businesses, and are difficult for rivals to imitate (Prahalad, 1993).

Core competencies allow firms to create multiplicative interaction that expand the value of technologies, collective learning, and ability to share technologies and learning (Prahalad, 1998). Prior research primarily focused on these multiplicative interactions and the resulting increased competitive advantages of core competencies. This research takes an obverse view and focuses on identifying strategy’s repressed shortcomings -- the parallel shadow mechanisms (Jung, 1996) -- that may plunge firms into below standard performance over the long-term. In other words, this research focuses on identifying what are firm core incompetencies.

Core incompetencies are not simply a lack of competitive resources or an inability to compete in the current market. Core incompetencies – like their more positive doppelgängers, core competencies – are at the core of a firm’s strategy and have long-term effects. Core competencies allow organizations to learn and share those competencies across the firm.
Firms beset with core incompetencies are unable to learn or share that learning, and valuable resources, technologies, and resources necessary to deploy strategies effectively. The following sections examine two possible ways organizations may create core incompetencies.

THE INABILITY TO GENERATE ORGANIZATIONAL KNOWLEDGE

The extant literature presumes organizations generate continuing flows and readily available stocks of organizational knowledge critical to the formation of core competencies (DeCarolis & Deeds, 1999). The generation of these flows and stocks of organizational knowledge requires iterative combining of tacit and explicit knowledge (Nonaka & Takeuchi, 1995). Context-specific and individually-embedded tacit knowledge and readily-codified and easily transferred explicit knowledge are combined and re-combined on individual and group levels (Polanyi, 1968; Kogut & Zander, 1992). Knowledge creation and innovation require both explicit and tacit knowledge to generate and communicate new knowledge and ideas (Ettlie, Bridges, & O’Keefe, 1984). Novel innovations produced by combining tacit and explicit knowledge are less imitable than those based solely on explicit knowledge and more likely to produce potentially valuable core competencies (Barney, 1991).

However, some firms may be impeded in the ability to create knowledge because they are unable to combine knowledge. Nonaka and Takeuchi (1994) state that knowledge creation is key to creating core competencies and begins with the sharing of tacitly-held norms and rules of performance in a socialization stage (Nonaka, 1994; Figure 1). Individuals then link tacit knowledge to explicit knowledge in the externalization stage, and combine different explicit ideas to create knowledge in the combination stage. The process concludes when the new knowledge becomes embedded and tacitly held in the internalization stage (Nonaka & von Krogh, 2009). The knowledge creation process then repeats the four stages, building on prior iterations, in an outward expanding “knowledge spiral” that expands from the individual level “moving up through expanding communities of interaction” (Nonaka & Takeuchi, 1995:72).

The socialization-externalization-combination-internalization process is most vulnerable in steps two and three when individuals share individual tacit knowledge in the externalization stage and conjoin individual and collective tacit and explicit knowledge in the combination stage. The process is exceptionally vulnerable because tacit knowledge cannot by definition be directly communicated. Firms that cannot correctly interpret what is expressed tacitly may suffer from limited abilities to create knowledge or innovate (Nonaka and Takeuchi, 1995). The resulting improperly encoded tacit knowledge may produce potentially dysfunctional organizational knowledge, “tacit stupidity” instead of tacit knowledge. Tacit stupidity is difficult to identify, isolate, or eliminate because of the embeddedness of tacit knowledge (Granovetter, 1985). Tacit stupidity can only be detected by the firm’s actions or inactions. Two potential types of tacit stupidity due to knowledge spiral dysfunctions are tacit stupidity created by knowledge spiral contraction due to insufficient participant diversity and tacit stupidity as a result of knowledge spiral contamination due to the introduction of faulty or incorrect knowledge. Other tacit stupidity sources may exist and knowledge spiral contraction and contamination are
examined in the next section to begin to explore and explain the genesis and effects of tacit stupidity.

**Knowledge Spiral Contraction**

The ability of the knowledge creation process to innovate is directly correlated to the level of participant diversity – especially in the externalization and combination stages (Roberts, 2006).

Figure 1, Knowledge Creation Process

![Knowledge Creation Process Diagram](image)

Higher levels of participant heterogeneity increase the opportunities to innovate, and increased participant homogeneity reduces innovation and may transform the knowledge spiral from outward-expanding to inward-contracting (Figure 2) as groupthink and strategic myopia increasingly dominate. Groupthink occurs when group members are so tied to maintaining group cohesion that the group becomes more focused on maintaining social norms than on task performance and the opportunity for groupthink rapidly increases as group homogeneity rises and the group becomes less tolerant of individual idiosyncrasies (Janis, 1971). Strategic myopia (Lorsch, 1985) is another potential side effect of the inward-contracting knowledge spiral and limits external analysis by disproportionately focusing the firm on internal issues. Strategic myopia may devolve further into strategic blindness if the firm’s strategic focus singularly centers on existing customers and markets (Christensen & Bower, 1995). Strategic myopia and strategic blindness both significantly impede a firm’s ability to compete because they reduce the firm’s ability to innovate.

Examples of contracting knowledge spiral would be General Motors prior to its 2008 bankruptcy. Managerial diversity was constrained significantly by a culture focused on maintaining cultural values that dated back to the 1950s, if not the 1920s (Levine, 1992). The
result was that several efforts to increase GM’s managerial diversity by starting up Saturn Motors, purchasing Hummer, and attempting to change the culture failed (Linebaugh & Boudette, 2009). Saturn is one example of how GM brought potential outliers into line: Saturn was started as a separate organization to allow it to innovate outside of the GM culture by GM CEO Roger Smith in 1982 and produced almost 2 million cars. Increasing internal pressures to bring Saturn in line with the traditional core of the company led GM to integrate Saturn with other GM brands, and Saturn closed as part of GM’s 2009 bankruptcy (Ingrassia, 2010).

The above suggests that GM’s culture reduced managerial variation and promoted groupthink. The reduced variation increasingly constrained input diversity for the knowledge creation process, creating a contracting knowledge spiral and a core incompetency as the firm became increasingly tacitly stupid. GM’s efforts to reverse its course and create core competencies that would increase profitability were doomed because GM was unable to learn, to create knowledge that would allow it to address competitive pressures such as increased overseas competition or changing consumer tastes. Additional examples include, and are not limited to, IBM’s continued attempts to minimize the impact of the personal computer revolution it helped generate well into the 1990s in the face of continued market loses to newer competitors; and Blockbusters’ reliance on brick and mortar stores as primary distribution points and postponement of responses to Netflix and online video providers (Gandel, 2010). Efforts to change to meet these challenges failed because the firms’ embedded tacit stupidity reduced the firms’ abilities to innovate.

Knowledge Spiral Contamination
Another potential source of core incompetencies is produced because the knowledge creation process described by Nonaka and Takeuchi (1995) may be contaminated by bad data. The knowledge spiral in and of itself does not filter out incorrect data. Faulty data becomes integrated into and distorts the organization’s tacit and explicit knowledge. Tacit elements of the distorted organization knowledge also may taint the organization’s culture, as the firm’s shared tacit knowledge (Harris, 1994). The results are impediments to the firm’s ability to
properly respond to environmental cues, competitors’ actions, and the result is a core incompetency.

Contaminated organizational knowledge has detrimental strategic value. Most organization knowledge and knowledge creation literature assumes that the knowledge held by individuals, shared within groups, integrated within cultures, and orchestrated through knowledge management systems is strategically valuable. The underlying assumption is that the perception or understanding needs both clarity and certainty (Collins English Dictionary, 2009). Outdated knowledge, data based on outmoded concepts, or incorrect data lacks strategic viability because it lacks clarity and certainty (Figure 3). The resulting tacitly held knowledge contaminates the organization knowledge as Polanyi’s description of tacit knowledge as “we can know more than we can tell” (1966:4) is transformed into “we incorrectly know more than we can tell.”

![Figure 3 Distorted Knowledge Creation Process](image)

(Adapted from Nonaka & Takeuchi, 1995)

Knowledge spiral contaminations are doubly difficult to combat because the contamination occurs at a tacit level, making it difficult to detect, and because tacit contamination symptoms may not be evident until several iterations later in the knowledge creation process. It is difficult to “un-spiral” the distorted knowledge spiral to de-contaminate all affected layers of organization knowledge. Examples of knowledge spiral contamination include the 1990’s dot-com firms that website clicks and views were more important than revenues or profits (Walczak, 2001). Another examples included the satellite telephone corporate alliance Iridium assuming that third-world telephone systems would follow the same technology development path as western countries with land line deployment being a necessary predecessor to establishing cellular networks (Finkelstein & Sanford, 2000).

**FAILING ARCHITECTURE AND CORE INCOMPETENCIES**

Core incompetencies may also be due to problems in a firm’s strategic architecture. A strategic architecture allows a firm to apply its organizational knowledge across multiple and varied markets and provide structure and guidance of which competencies to build and what technologies to employ. A strategic architecture functions as a road map of which core
competencies a firm will focus on in the future, and details how the firm will develop and plan development of those competencies, the requisite technologies, and the mechanisms and culture to promote sharing the core competencies (Prahalad & Hamel, 1990).

All firms have strategic architectures. A strategic architecture that promotes sharing and developing core competencies and aids firms in deploying strategies is critical to strategic success. These architectures have been described as “built to last” (Collins & Porras, 1994). Conversely, a strategic architecture that limits a firm’s ability to develop competencies and technologies, and deploy its strategies comprises a core incompetency. These architectural failures create firms best described as “build to BE last.” Architectural failures include creation and reinforcement of organizational silos or hierarchies that limit sharing organizational knowledge or technologies and other resources (Kotter & Cohen, 2002); or strategic failing to exercise strategic choice (Child, 1972) because of over-devotion to obsolete normative concepts that prevent the exercise of strategic prerogatives in response to environmental shifts. The next section examines these two issues in more detail.

**Failing Architectures that Limit Collective Action**

Organizations exist because firm resources can be more productive if leveraged collectively than used individually (Alchian & Desmetz, 1972). However, failing architectures may limit the ability of firms to collectively leverage assets because of the creation and reinforcement of silos or other structural barriers that impede cooperation and sharing resources (Kotter & Cohen, 2002). Silos are produced by organizational sub-units focusing more on sub-unit optimization than overall organization success (Beer & Eisenstat, 2000). Other structural barriers may include complex hierarchal arrangements that increase the process losses inherent in attempts to organize resources (Argyris & Schon, 1977). Process losses are produced by the internal frictions of combining individual resources and can offset process gains to the point that collective production is below the summation of individual asset productivity (Steiner, 1972). Silos and hierarchal structures may impede the ability of the firm to succeed and serve to promote core incompetence. The end result of the destructive silos and hierarchies is that firm structure becomes more of a strategic minefield than a strategic architecture.

An example of failing architectures was the McDonnell Douglas Corporation, the result of the 1967 merger of McDonnell Aircraft Company and the Douglas Aircraft Company. What had been McDonnell continued to focus on military aircraft, which were becoming increasingly technologically complex, and what had been Douglas continued to focus on commercial contracts, which were becoming more focused on production efficiency. The combination worked well until the end of the Cold War in the early 1990s, which resulted in less military spending (Pearlstein & Mintz, 1997), and increased commercial competition, as Europe’s AirBus became a larger player (Yoffie, 1993). The presence of silos prevented McDonnell Douglas from effective internal sharing of its resources or technologies, or to coordinate strategies within the firm, i.e, to integrate McDonnell’s design expertise with Douglas’ production proficiency. McDonnell Douglas became less competitive as it failed to win key government or airline contracts and was acquired by Boeing in 1997 (“Building a New Boeing”, 2010).

**Failing Architectures Based on Must-Driven Options**
Strategic architecture is the mechanism by which firm’s competencies and resources are matched with and used to address environmental demands (Prahalad, 1993). This matching centers on the exercise of strategic choice (Child, 1972). Strategic choice is one of the cornerstones of modern strategic thought and holds that organization decision makers choose what strategy to enact and how to enact the strategy to gain success in a dynamic environment. The heart of strategic choice is that the leader’s decisions on structure, strategy, and reification of firm and environmental boundaries and forces are critical to firm success and that managers matter (Child, 1972). Strategic choice stands in stark contrast to normative models which suggest that firms must choose certain actions. Normative models result in a must-driven approach to strategy where strategy is less about strategic choice and more about applying pre-fabricated answers. Normative models promote allegiance to a prescribed action – even if the action is failing – because of pressures to appear legitimate, or to appease isomorphic forces, top executives’ egos, or firm politics (DiMaggio & Powell, 1983; Pfeffer, 1992). Devotion to failing strategies and efforts to fix failing strategies may intensify as failures increase and become more evident (Brockner, 1992). Dependence on normative must-driven approaches obviates the role of managers to choose how to deploy firm resources to meet environmental needs (Child, 1972). Managers who abdicate strategic choice by relying on trending management fads lose the ability to directly influence firm success, create core incompetencies, and may doom the firm to failure.

Many organizations provide examples of over-devotion to must-driven strategies, especially after the death of the highly creative entrepreneurs that founded the companies. Walt Disney Productions faced potential acquisition in the early 1980s because the company maintained its dedication to the strategic focus established by its founder Walt Disney. The company had attempted to stay dedicated to Walt Disney’s ideas, producing only movies for children, no independent television offerings, and theme parks only in California and Florida. Investors were almost able to wrestle control of the firm from its board, which may have resulted in the firm being liquidated or absorbed by other firms. The board responded to the threat by changing the company’s name to the The Walt Disney Company, expanding movie offerings to broader audiences, re-entering independent television production and starting its own cable offerings, and expanding its theme park operations into Europe and Asia, while also opening a chain of Disney-labeled retail stores. Disney later expanded into purchasing the ABC television network, ESPN Sports, and several other cable and internet offerings (Bryman, 2008). The firm was brought to near dissolution by a continuing allegiance to must-driven strategies developed by its founder, Walt Disney, almost 20 years after his death.

DISCUSSION

This above describes core incompetencies, repressed strategic shortcomings that plunge firms into below standard performance over the long-term. Core incompetencies either lack the ability to generate organizational learning or lack an architecture that allows effective sharing of valuable resources, technologies, and resources. The above exposition examines some potential core incompetencies, such as tacit stupidity as either knowledge spiral contamination or knowledge spiral contraction, and strategic minefields, such as management silos and defective hierarchies, and over-devotion to must-driven strategies.

The focus strays from the more popular focus of examining why firms succeed to examine the other end of the spectrum, why firms are incapable of strategic success. The motivation for
this alternative view is an effort to understand the overall strategic mechanism to better understand what works and what does not work. Prior focus on only the upper end of the performance curve does not allow developing a full understanding of the overall boundary conditions that define strategy. An understanding of boundary conditions that may limit application of a theory is critical to fully understanding theory and practice (Dubin, 1978).

The critical issue of the above discussion is that core incompetencies exist, not to suggest that they are limited to the ones noted. Others may exist. The purpose in exploring core incompetencies is to develop a more robust model of strategy and strategic success based on exceptionally successful and exceptionally unsuccessful firms. The noted elements of core incompetency -- tacit stupidity and faulty strategic architecture -- are still in nascent stages. No independence is suggested. The two overlap and interact, i.e. General Motor’s issues before 2008 may be due to both tacit stupidity and faulty architecture as GM fell prey to divisive finance, engineering, and marketing silos, competing brands, and trucks versus automobiles.

Core incompetencies are different than resources that have become core rigidities. Core rigidities are former core competencies a firm remains committed to despite environmental shifts which reduce the resources’ strategic value (Leonard-Barton, 1992). Core incompetencies may lead a firm to hold onto resources too long and evolve into core rigidities. The difference between the two concepts is that core rigidities are resources and core incompetencies are organizational characteristics that may aid in generating core rigidities.

**Implications for Researchers**

Three major issues exist in the study of core incompetencies. These issues include detecting core incompetencies often is difficult due to their tacit nature and basic problems in detecting incompetence. Another issue is gaining cooperation from firms that possess core incompetencies to study the phenomenon more closely is often difficult because firms may be embarrassed or fear litigation. A third issue is that data on firms with core incompetencies is often self-censoring because such firms may not survive and in-depth data may be unavailable after their demise if their assets or key personnel are absorbed by other firms.

**Detection Difficulties:** Core incompetencies may be difficult to detect because tacit knowledge and tacit stupidity embedded (Granovetter, 1985). Embeddedness means that the knowledge or stupidity is difficult to separate from the fabric of the firm, and is blended within the normal organizational framework. Another detection issue is that the nature of core incompetencies reduces detectability because incompetence in a specific area causes overestimation of individual abilities of that area (Kruger & Dunning, 1999). Firms possessing core incompetencies may be unable to detect poor firm performance because of core incompetencies, and will focus on less valid explanations for poor performance, i.e. the economy, unions, competition, or the legacy decisions of earlier managers. The lack of metacognitive skills that allow critical questioning of decisions made is a key reason for this detection failure (Kruger & Dunning, 1999). Internal detection of core incompetencies is difficult because incompetent firms are – by definition – incompetent and incapable of detecting or resolving issues that are driving them towards strategic failure. The result is that strategically incompetent firms enter downward-trending spirals that are self-reinforcing (Weick, 1979). Core incompetencies yield poor performance, poor performance increases
demands on firm resources, and firm resources cannot be properly leveraged because of the core incompetencies, yielding lower firm performance. The cycle then repeats itself, with firm value steadily decreasing over time because firm leaders cannot detect what issues need to be addressed, much less resolve those issues. The result of this layering is that the problem shifts from the firm shooting itself in the foot to the rapid speed at which the firm reloads and is able to shoot itself again.

**Core Incompetencies Are Embarrassing:** The accounts of successful firms that have searched for excellence, moved from good to great, or simply created a force for change have graced the business sections of bookstores for many years (Collins & Porras, 1994; Peters & Waterman, 1982; Kotter, 1996). Firms are naturally and rightly proud to be included in these manuscripts. However, gaining similar in-depth access to closely examine a firm’s fall to core incompetency is more difficult because of the potential for embarrassment, shareholder feedback, or litigation. Exceptions do exist (Collins, 2006). However, these exceptions often focus on how a new set of managers guided the firm recovering from core incompetencies. Studying what drives firms to failure benefits from the passage of time as time allows the truth to surface and be less painful, or at least less subject to legal backlash.

**Self-censoring Data:** Firms subject to core incompetencies are not expected to survive as long as firms not suffering from core incompetencies. The result is that the data on firms with core incompetencies is self-censoring, limited in longitudinal scope, and may not be available once the firm has changed ownership or management, or its assets have been liquidated. Much of the data on past core incompetencies is anecdotal and surfaced as egos healed over time or litigation time limits lapsed. A major concern with anecdotal data is that it is less open to validation, generalizability, and tests of reliability than more analytical data (Cook & Campbell, 1976).

**Implications for Managers**
The implication of the above for managers is an increased need to accurately assess what is driving firm performance when performance begins to suffer. Managers may need to understand that the issue may be internal – core incompetencies – and not external – failing economies or increased competition. Managers also need to be sensitive to the signs of tacit stupidity and failing architectures that may prevent the firm from learning or sharing and acting on that learning. These signs include excessive cohesion driven by a need for increased homogeneity, opinions and political position becoming more important than data-driven analysis and action, silo-building, and a growing focus on normative must-driven strategies.

The last item deserves additional attention. Must-driven strategies – the ideas that all firms must do this or that without data-driven analysis based on current contingencies – flies in the face of a keystone of strategic thinking – the primacy of strategic choice (Porter, 1985). Strategy requires choice. Must-driven strategies are really a misnomer in that they fail to meet the basic requirement of a strategy – the ability to choose. The term “must” may be viewed as an acronym for “meaningless, useless strategic thinking.” Managers need to avoid getting caught in the trap of thinking this or that must happen and choose based on the firm and environmental contexts.

**CONCLUSION**
The above paper has attempted to explore the more shadowy side of strategic performance. Firms may be plagued by tacitly held concepts, ideas, or abstract principles that may create what has been labeled as core incompetencies because their presence may limit a firm’s ability to learn or to share or act on that learning. The paper has offered examples and invited further study of the concept. The exposition on this topic is intended to open the door to discussions, not to provide the final word. A more complete understanding of firm performance is the hoped for product of extending this exploration.

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SIGNALING GOOD GOVERNANCE: AN ANALYSIS OF THE MOST CRITICAL RECOMMENDATION OF THE GERMAN CORPORATE GOVERNANCE CODE
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ABSTRACT
This study seeks to understand the determinants of agreeing a suitable deductible in D&O policies. The German Corporate Governance Code recommends to agree such a deductible if the firm has taken out a D&O policy for its board members. A deductible rules that directors and officers have to pay portions of a damage from their own pockets in cases of litigation and aims at fostering responsible behavior of board members. Based on a sample of all firms listed in four major German stock market indices, we find that agreeing a deductible can be a valid means of signaling good governance to external constituencies. More specifically, we show that firm size and the size of the management board tend to be positively associated with the decision to agree a deductible, whereas large supervisory boards and high litigation risks make it less likely to agree a deductible.

Key Words: Corporate governance; Directors’ and officers’ policies; German Corporate Governance Code

INTRODUCTION
The German Corporate Governance Code (GCGC) was adopted on February 26, 2002. Besides presenting essential statutory regulations, the Code contains standards for good and responsible governance which are not stipulated by law but represent best practice. German companies are not compelled to comply with these standards. However, after Article 161 of the German Stock Corporation Act was amended, listed corporations have to disclose whether they have been and are being complied with the Code’s recommendations or which of the recommendations are not being applied (“comply or explain”).

Prior research has shown that the Code recommendation to agree a suitable deductible if the company has taken out a D&O (directors’ and officers’ liability insurance) policy for the management board and supervisory board, yields the lowest degree of conformity (v. Werder & Talaulicar, 2007, 2008, 2009, 2010). This standard therefore deserves specific attention. Analyzing the arrangements of D&O policies is moreover warranted as the most recent financial crisis has strengthened the interest of governance scholars, practitioners as well as policy makers in appropriate incentive designs and effective risk management (Pirson & Turnbull, 2011). Whereas extant studies, particularly in law and finance, have started to address the subject of D&O policies (e.g., Romano, 1989; Core, 1997, 2000), the agreement of a suitable deductible has not yet been analyzed in more detail.

In order to explain acceptance of this specific Code recommendation, we develop a managerial signaling theory of corporate governance which incorporates the potential benefits and costs associated with the decision to agree a suitable deductible in D&O policies. We suggest that compliance with this Code recommendation provides, inter alia, the benefits that agreeing a deductible allows board members to signal that they apply generally accepted standards of good governance. As a consequence, these board members may be perceived as more trustworthy and earn reputation rents. At the same time, however, this agreement leads to costs because the directors and officers face the threat to expend the deductible from their pockets in cases of litigation. They will therefore make their compliance decision depending on various determinants of the benefits and costs of the deductible. Hypotheses are developed
and tested with a sample of all (151) German companies listed in four major German stock market indices. Comparing the two groups of companies which either comply or disagree with this Code recommendation tends to support the notion that agreeing a D&O deductible may be a valid means of signaling.

BACKGROUND OF THE CODE RECOMMENDATION

Directors’ and Officers’ Liability Insurance Policies
The liability risk of directors and officers of German listed companies has increased since the beginning of the 1990s (Vetter, 2000; Dreher, 2001; Kiethe, 2003). Board members of German corporations are personally accountable with unlimited liability. Hence, if litigation procedures succeed, these verdicts can eat up the personal savings of board members.

D&O liability insurances cover, up to the agreed annual policy limit, pecuniary losses which have been caused by the insured persons when they act within the scope of their corporate duties. The insurance coverage applies to claims made during the policy period. In addition to compensating damages caused by failures of the insured persons, these policies provide legal protection in order to defend accusations and cover the corresponding defense costs (Lange, 2002; Kiethe, 2003; Plück & Lattwein, 2004). Usually, the insurance contract is taken out on behalf of the enterprise. Whereas the enterprise concludes the contract with the underwriter and expends the insurance premiums, the beneficiaries of the insurance contract are the insured board members because they can claim to defend allegations and to restore damages in case of litigation.

Foundations of the Code Recommendation
D&O policies have been criticized as they excessively release board members from liability risks. Through the device of insurance, board members may therefore evade their duties. Litigation norms are a special form of sanction norms. In general, sanctions aim at prevention as well as retribution. Theories of deterrence (prospectively) justify sanctions if they deter actors from norm violations. These (consequentialist) theories suggest that actors are the more deterred from breaking norms, the more severe and the more certain norm offenders are punished (Geerken and Gove, 1975; Gibbs, 1975; Beyleveld, 1979). On the contrary, retributivist theories are retrospective. They justify sanctions because the preceding norm violation deserves punishment in order to restore corrective (or retributive, respectively) justice. Theories of retribution therefore suggest that sanctions have to be strictly conditional on a preceding wrongdoing and proportional to this wrongdoing (Walker, 1991; von Hirsch, 1992; Kershmar, 2001).

If D&O policies are taken out, covered damages are compensated by the insurer. With regard to prevention effects, one may conclude that D&O policies diminish the motivation of board members to ensure compliance insofar as potential damages are covered by the insurer. As a consequence, D&O policies reduce the deterrent effect of litigation (Baker & Griffith, 2009) and board members may be less attentive to their obligatory duty of care (Griffith, 2012). From the perspective of retributive justice, the compensations which are covered by the insurer may be viewed as inappropriate because justice considerations may demand to oblige board members to pay these damages (or at least the covering insurance premiums) from their own pockets. D&O policies could be interpreted as an abdication of board members’ responsibility.

The GCGC recommends to agree a suitable deductible if the company takes out a D&O policy for the management and the supervisory board. The agreement of a deductible aims at
maintaining the prevention effects of litigation norms (Baums, 2001; Lutter & Krieger, 2008; Ringleb, Kremer, Lutter & v. Werder, 2010). Additionally, such a deductible serves retributive considerations. If D&O policies contain personal deductibles, board members have to pay at least part of their damages from their own pockets. This may thus nurture the expectation that board members are more willing to take their duties seriously and to avoid cases of litigation (cf. Brenner & Schwalbach, 2009).

THEORY AND HYPOTHESES

A Managerial Signaling Theory of Corporate Governance

In order to explain and predict whether or not firms agree a suitable deductible in their D&O policies, we develop a managerial signaling theory of corporate governance which captures the benefits and costs of compliance from the perspective of the board members who make the decision on Code compliance and who tend to be better informed about firm risk than external constituencies (Gupta & Prakash, 2012). Signaling theories have their origin in the economic literature, were developed to analyze arrangements between at least two parties under asymmetric information (cf. Akerlof, 1970; Spence, 1973, 1974) and have been utilized in various fields of management research (e.g., Reuer, Tong & Wu, 2012).

Code compliance can be used to signal that the company meets generally accepted standards of good governance and that the board members appear to be trustworthy for this reason. External constituencies have only limited insights into the true efforts and performance of board members. Under such conditions, signaling can be an appropriate means to remedy these information asymmetries. The corresponding signal of good governance must be observable for external constituencies and costly to apply by firms with inferior governance arrangements (e.g., Certo, Daily & Dalton, 2001).

Against this background, we suggest that compliance with the specific Code recommendation to agree a D&O deductible depends on the (alleged) benefits and costs related to compliance with this Code norm. Board members may be able to gain the benefits of Code compliance if compliance is acknowledged by important stakeholder groups or the public at large. Furthermore, the specific benefits and costs of agreeing a D&O deductible depend on other determinants as well which are more specific to this particular recommendation of the GCGC. As will be shown below in more detail, board structure is an important determinant of the decision to comply or not. In general, the perceived costs of compliance with this recommendation reflect the potential burdens board members may suffer when a deductible is agreed. The costs will be perceived to be the more deterrent, the more severe and the more certain the corresponding expenditures appear to be. Deterrence of a deductible is perceived as more severe, if the corresponding expenditures may threaten the secure existence of the board members. We argue that (the extent of) this threat is associated with (the level of) board compensation. Certainty depends on the risk that the board members become indeed liable (i.e., the litigation risk).

HYPOTHESES

Benefits of a Deductible. We argue that the benefits of agreeing a suitable deductible tend to increase with firm size. Therefore, we expect to observe a positive association between firm size and the decision to comply with the recommendation on a D&O deductible. Previous studies on code compliance have generally shown that code compliance is positively
associated with the size of firm. This relation has been found, inter alia, with regard to codes of corporate governance in Australia (Clifford & Evans, 1996), in Great Britain (Mallin & Ow-Yong, 1998) as well as in Germany (v. Werder, Talaulicar & Kolat, 2005). Theoretically, however, this relation has been explained with regard to the costs rather than the benefits of code compliance. More precisely, it has been argued that larger firms will suffer lower relative compliance costs (e.g., Dedman, 2000). This is a convincing argument particularly with regard to code norms the conformance of which demands administrative support.

With regard to the design of D&O liability insurance contracts, this cost-related argumentation appears to be less convincing. There is some evidence that very small firms tend to suffer from higher costs for D&O liability insurance or may even face difficulties to receive insurance coverage at all (Bhagat, Brickley & Coles, 1987). Hence, the premium or even the availability of liability insurance can be related to firm size. As a consequence, D&O policies are less widespread among small (and closed) firms (Kästner, 2000; Lange, 2002; Lange, 2005). In contrast, however, there is also the opposite view that larger companies may suffer comparably higher premiums. For instance, Seibt and Saame (2006) report that D&O policy premiums amount to about one percent of insurance coverage in the case of large firms, while small and medium sized companies have to expend only one- to three-tenth of a percent of insurance coverage. In the same vein, D&O policies are no longer a privilege of larger firms but have become much more common among small and medium sized firms, too (Arnoldussen & Messmer, 2003; Sieg, 2004; Schillinger, 2005).

In any case, however, agreeing a deductible does usually not affect the costs of liability insurance regardless of the size of the firm. Whereas some scholars advocated deductibles due to their prospective premium savings (e.g., Ihlas, 1997), empirical evidence suggests that the costs of a D&O deductible (i.e., limited coverage) are usually not compensated by corresponding terms of conditions in the insurance contract (e.g., Dreher & Görner, 2003; Peltzer, 2004; Ringleb, Kremer, Lutter & v. Werder, 2010).

Benefits of a agreeing a deductible can be derived from the developed signaling theory of corporate governance. Such a deductible can be interpreted as a signal by the board members that they are aware of their responsibilities and willing to act in the enterprise’s best interest. External constituencies can reliably assess neither the qualification nor the motivation of board members. They may hence mistrust that board members exercise their tasks with reasonable care and, as a consequence, refrain from providing necessary support for the firm and its board members. Such information asymmetries can be mitigated by agreeing a deductible. Indeed, many studies corroborate the notion that a deductible reduces problems of moral hazard by signaling that the insured persons are willing to act with reasonable care (cf. Rothschild & Stiglitz, 1976). We argue that firm size is important in this regard because this signal has to be perceived by external constituencies and the public at large. Otherwise, board members will not reap the benefits from a deductible such as support by external constituencies or the reputation to be a responsible board member. There is wide agreement that larger firms are more visible and attract more public attention (Fombrun & Shanley, 1990; Luoma & Goodstein, 1999; Pollock, Fischer & Wade, 2002). In the same manner, board members in larger firms also have higher visibility than those in smaller firms (e.g., Zhang & Rajagopalan, 2003). This comparably high amount of attention will also apply for their statement of conformity with the GCGC. All else being equal, the willingness to agree a deductible will hence be more likely perceived by the public in the case of larger rather than smaller firms. Therefore, larger firms and their board members will more likely earn the benefits related to compliance with this specific Code recommendation. Since board members will reflect these relations, we hypothesize:
Hypothesis 1: Firm size is positively associated with the decision to agree a suitable deductible in D&O policies.

Benefits associated with signaling good governance by agreeing a suitable deductible in D&O policies may also be related to the structure of the management board. We argue that management board size will be positively associated with the decision to agree a suitable deductible in D&O policies. To be sure, management board size will be highly correlated with the size of the firm. Larger firms will have larger management boards, and vice versa. However, we argue that management board size will exert an own effect on the decision on a deductible which is independent from the size of the firm. This argument is related to the collective responsibility of the members of the management board of the German stock corporation. The German Stock Corporation Act stipulates that the management board is responsible for managing the enterprise. At the same time, its members are jointly accountable for the management of the enterprise. Accordingly, in the case of misbehavior by one member of the management board, all members can be liable.

Management board members face a greater danger to be liable for the defects of their colleagues in larger rather than in smaller management boards because larger boards tend to have a higher workload and the likelihood that one board member misconducts in office tends to increase with the number of board members. Furthermore, the higher workload of larger management boards may increase the degree of division of labor as well as the complexity of the organization of the management board. As a consequence, the single board member tends to be less informed about the work of his colleagues, when more persons are appointed to the management board. At the same time, however, the single management board member has a vital interest to be informed about the work of his colleagues because their misconduct can make him personally liable.

Against this background one may, at first glance, surmise that management board members will be less inclined to agree a deductible if they belong to comparably large management boards. However, one has to be aware that management board members face greater threats than expending the agreed deductible in the case of litigation. First, D&O policies only protect against pecuniary losses (Dreher, 2001; Plück & Lattwein, 2004; Seibt & Saame, 2006). Furthermore, these policies contain many exclusions relating to various aspects of wrongdoing (Scheifele, 1993; Ihlas, 1997; Lange, 2005). Many misconducts, particularly willful acts or acts against criminal law, are not covered by liability insurance (Kiethe, 2003; Sieg, 2004; Seibt & Saame, 2006). Hence, there are legal limits on insurance coverage (Bhagat, Brickley & Coles, 1987). Most importantly, if someone takes litigation proceedings against a member of the management board, these allegations will burden the time and attention of the manager (Kesner & Johnson, 1990). Independent from a deductible, managers fear to be prosecuted because such lawsuits can have a negative impact on firm value (Cross, Davidson & Thornton, 1989), damage their reputation and harm their career (cf. O’Sullivan, 1997). According to Bhagat, Brickley and Coles (1987), litigation may still be an important control device, even if all direct costs are paid by the insurer, if there are reputation costs associated with losing lawsuits. Due to these detrimental effects, self-interested managers will be motivated to avoid litigation proceedings in order to serve their own good.

By agreeing a suitable deductible in their D&O policies, the management board signals to external constituencies that its members believe in their professionalism and integrity. External constituencies may interpret this signal also such that management board members will not solely trust but also control each other because they are aware that they are jointly and severally liable and have at least to expend the deductible in those cases the misconduct is covered by the D&O policy. In this vein, agreeing a deductible can improve the monitoring
role of management board members who will be better motivated to control each other and to be kept informed about the divisions and tasks led by their colleagues.

**Hypothesis 2:** Management board size is positively associated with the decision to agree a suitable deductible in D&O policies.

**Costs of a Deductible.** Although agreeing a deductible can provide benefits for the company and its management, it is unlikely that all firms will comply with this Code recommendation because there are also costs associated with the agreement of a D&O deductible. The structure of the supervisory board is one important determinant in this regard. The German stock corporation has a two-tier board structure. Whereas the management board is responsible for managing the enterprise, the supervisory board supervises the members of the management board. A person cannot be appointed to both the management and the supervisory board of the firm. Just as the management board, the size of the supervisory board will be positively correlated with the size of the firm. Therefore, one may expect that firms with larger supervisory boards are more likely to agree a deductible if they have taken out a D&O policy for their board members. If one separates the effects of firm size, we propose, however, that larger supervisory boards will be less inclined to comply with this specific Code recommendation than their smaller counterparts.

The German Stock Corporation Act stipulates that the supervisory board appoints, monitors and advises the members of the management board. The members of the supervisory board are – just like the members of the management board – jointly accountable for properly monitoring the management of the enterprise. In case of misconducts on behalf of the supervisory board, claimants can appear as plaintiffs against one single member of the supervisory board who can be liable for misconducts carried out by his colleagues. Of course, this board member can demand recoveries from his colleagues. This recovery, however, premises that his colleagues have sufficiently deep pockets. Otherwise, (s)he may eventually have to bear the costs (in large parts) alone. Whereas these stipulations are very similar to the rules for the management board, there are important differences between the supervisory board and the management board.

In contrast to appointments to the management board, the supervisory board mandate is a part-time office (Lutter & Krieger, 2008). As a consequence, similarities are more pronounced between management board members than between supervisory board members. The diversity of supervisory board members refers, inter alia, to their (main) occupation and, particularly, to their personal wealth. Therefore, pursuing litigation proceedings against one single board member could be more promising in case of the supervisory board because the solvency of the management board members tends to be less diverse. This will be particularly true in larger supervisory boards which are subject to co-determination. Co-determination rules require that employees are also represented in the supervisory board, which then is composed of employee representatives to one third or to one half respectively. Employee representatives will commonly be less wealthy than the remaining supervisory board members. However, the representatives of the shareholders will also vary with regard to their solvency. In general, this variance will increase with the size of the supervisory board.

Normally, the supervisory board meets only four times a year. Members of board committees will have additional meetings. Even the chair of the supervisory board, however, will have other (major) responsibilities as well (and is, for instance, an active member of the management board of another company). Since appointments to the supervisory board are hence secondary, potential candidates will carefully scrutinize the risks associated with this seat. Risks which management board members are ready to bear, may hence be threatening or
even prohibitive from the perspective of candidates for the supervisory board who may decline an invitation to join a supervisory board because of such risks. Evidence of this disparity can, for instance, be found in declaration of conformity with the GCGC by Daimler AG. Daimler AG states that a different treatment of management board and supervisory board members is deemed appropriate. More precisely, its board members “do not believe that it is advisable to have a deductible for cases of negligence by members of the Supervisory Board because it may interfere with the company’s intention to staff its Supervisory Board with prominent members of the community from Germany and abroad who have extensive business experience. Qualified candidates would be deterred by having to accept far-reaching liability risks also in case of negligence.”

Furthermore, agreeing a suitable deductible appears to be more difficult with regard to the supervisory board because its members differ more significantly on their personal wealth. A specific deductible which may be less threatening for one member, may therefore be prohibitive for another member. Smaller deductibles may lack any behavioral effects and could be criticized as unsuitable (and hence non-conformant with the recommendation of the Code).

Finally, compared to the management board, supervisory boards can be expected to feature different group processes. The smaller meeting frequency offers supervisory board members fewer opportunities to engender trust in their colleagues and to monitor their performance. These difficulties will rise with the size of the supervisory board (cf. He and Huang, 2011). In addition, large supervisory boards are much bigger than large management boards. Whereas (very) large management boards consist of about ten members, supervisory boards have up to 21 members. Group cohesion will be much lower in such large boards, particularly due to different backgrounds and affiliations of group members who tend to be differently related with the corporate elite (cf. McDonald & Westphal, 2010, 2011). Kesner and Johnson (1990) also speculate that smaller boards are better able to capitalize on improved group decision-making dynamics. In sum, larger supervisory boards can be expected to be associated with lower risk taking (Nakano & Nguyen, 2012). Resuming all these aspects, we hypothesize:

Hypothesis 3: Supervisory board size is negatively associated with the decision to agree a suitable deductible in D&O policies.

The costs of a deductible depend on the severity and certainty of sanction norms that may be applied to organ members. Sanction theories have shown that it is not the objective amount of these determinants that matter. Rather, the preventive effects of sanction norms depend on the subjective perceptions of the norm addressees (e.g., Grasmick & Bryjak, 1980; Hollinger & Clark, 1983; Paternoster, 1987). Hence, the deterrent effect of sanction norms is affected by the fact whether or not the norm addressees perceive the severity and certainty to be sufficiently high (rather than by the fact how these determinants are designed indeed). Apparently, costs will be evaluated to be the more threatening, the less affordable these burdens appear to be from the management’s point of view. Less wealthy directors and officers will be more threatened from a given level of sanction norm severity and certainty than more wealthy managers because the latter can more easily afford the corresponding costs. Hence, the more wealthy managers are, the more willing they tend to agree a deductible, whereas less wealthy board members will be more reluctant to comply with this recommendation of the GCGC.

The personal wealth is private to the respective manager her- or himself. However, a proxy might be to illuminate the relation between the decision to agree a deductible and board compensation. The decision to agree a deductible can be expected to be positively associated with the remuneration of board members because higher income can be interpreted as a
compensation to accept the threat to expend the deductible in case of litigation. Romano (1989) has made the case that organizations can increase an individual’s income to cover the cost of paying the personal deductible. Managers will be more ready to agree a deductible if the corresponding risk, i.e. the costs to spend the deductible, is rewarded due to higher levels of compensation. If the manager is granted a premium in terms of higher pay, he or she is more willing to accept the higher risk associated with a deductible.

Previous research has developed similar lines of argumentation with regard to the question whether or not a D&O policy is taken out at all. More specifically, Finch (1994) has argued that uninsured directors will demand much higher levels of salary compensation. Similarly, Dreher (2001) states that modest levels of board compensation can only be realized if the risk of board members’ total loss is mitigated by taking out D&O liability insurance. In the same vein, Core (1997) has hypothesized that high levels of D&O pay can be expected to substitute D&O litigation insurance. According to Holderness (1990: 115), “Proponents of liability insurance point out that it reduces the cost of compensating risk-averse directors and officers”. In sum, board members accept lacking coverage (e.g., due to a personal deductible) if the resulting risk is rewarded by higher pay. We therefore expect organizations with comparably high board compensation to have a greater tendency to comply with the Code recommendation on a D&O deductible.

Hypothesis 4: Board compensation is positively associated with the decision to agree a suitable deductible in D&O policies.

The costs of a deductible only become meaningful if the sanction certainty is greater than zero. The main determinant in this regard is the litigation risk, i.e., the risk that the company and its management will be litigated. As Core (1997: 67) puts it: “When the litigation risk is very low, it is efficient for the firm not to buy insurance.”. However, the demand for D&O policies increases with the risk of litigation because cases of litigation become, by definition, more likely. As a consequence, a deductible appears to be more threatening, if the board members assess the litigation risk to be rather high. Therefore, board members will be less likely to accept a deductible if they perceive the litigation risk to be rather high and vice versa.

There are number of proxies for evaluating the litigation risk of a company. We will focus two important determinants, namely the listing at a US stock exchange as well as the development of past performance. There is wide agreement that the litigation risk is particularly high for companies which are listed in the US (Dreher, 2001; Plück & Lattwein, 2004; Kort, 2006). Due to their US listing, these companies become subject to the strict regulations of US authorities like the SEC. Since these companies participate in the legal system of the US, their stockholders can apply litigation rules available in the US. As a consequence, these firms can be subject to class action and derivative shareholder suits which are the most common causes of litigation in the US (cf. Core, 2000). In sum, listing at a US stock exchange entails that additional rules become available which offer additional possibilities for litigating the firm and its management.

Several cues support the notion that litigation increases with a listing in the US. First, D&O policies usually exclude coverage if the company gets listed in the US or acquires a daughter company in the US after the insurance contract had been concluded (Lange, 2005). The case of LION bioscience provides additional evidence for the high litigation risk related to a listing in the US. After the liability insurance had been cancelled and after the firm had been unable to agree a new D&O policy, the management as well as the supervisory board conjointly resigned in October 2004. The board members justified their resignation with reference to the lacking coverage and the high litigation risk associated with the company’s
listing at the NASDAQ. The supervisory board of this firm contained extraordinarily well-known members, namely Jürgen Dormann (former CEO of Aventis SA), Klaus Pohle (former CFO of Schering AG) and Richard Roy (former CEO of Microsoft Germany).

There is vast evidence that litigation is more likely if the company performs rather poor. According to Coffee (1996), the litigation of companies with after-tax losses rises 50 percent compared to their counterparts with positive earnings. In particular, shareholders and creditors will be willing to sue the board members personally if the company is distressed or went even bankrupt (Lange, 2002; Sieg, 2002; Thümmel, 2002). In general, shareholders will be more likely to sue directors and officers if performance targets have been missed. In other words, good performance offers few reasons to sue. Companies that perform well satisfy their shareholders and provide them fewer incentives for engaging in corporate governance or even efforts to litigate. In contrast, poor performance raises the suspicion that management and supervision of the company have been inadequate, that board members may have failed and should therefore be made accountable. The risk to be litigated is hence higher in the case of poor performance. Therefore, board members of poor performing firms will be less inclined to agree a deductible because they fear more strongly to expend this deductible than their counterparts in good performing firms do.

In sum, higher litigation risk increases the threat of a deductible. The higher the litigation risk, the more likely it is that the board members have to spend the deductible from their pockets. Therefore, board members will be less willing to agree a deductible if they perceive the litigation risk to be rather high (and vice versa).

Hypothesis 5: Litigation risk is negatively associated with the decision to agree a suitable deductible in D&O policies.

METHODS

Sample
The sample consists of all German companies listed in four major German stock market indices, i.e., DAX, TecDAX, MDAX and SDAX. The DAX is the blue chip index in Germany. It includes the 30 largest German securities in terms of market capitalization and order book turnover from classic and technology sectors. Directly below the DAX, the TecDAX contains 30 mid-sized companies from technology sectors whereas the MDAX comprises 50 mid-sized companies from classic sectors. The SDAX includes 50 smaller companies from classic sectors and starts directly below the MDAX. From these indices, nine firms were excluded because they were incorporated outside Germany and therefore not obliged to disclose a statement of conformity with the GCGC. Hence, the sample consists of 151 companies, which cover a broad range of different industries.

MEASURES

Dependent Variable. Compliance with the Code recommendation to agree a suitable deductible if the company has taken out a D&O policy is determined based on the statement of conformity of the studied companies. Companies can deviate from the recommendations of the Code which go beyond applicable laws. However, deviations from recommendations must be disclosed in an annual declaration of conformity (“comply or explain”). More precisely, Article 161 of the German Stock Corporation Act requires that listed companies have to declare once a year that the recommendations of the GCGC have been and are being complied with, or which of the Code’s recommendations are not being applied. Based on the statement
of conformity we create a binary variable \textit{D&O deductible} coded 0 if the company declares that it does not comply with this specific recommendation and 1 otherwise.

\textbf{Independent Variables.} Firm size is measured as (the EUR-amount of) \textit{equity capital}. This indicator is highly correlated with other measures of firm size and comparably stable over time. In addition, we use the \textit{number of employees} as a second measure of firm size. \textit{Management board size} is measured by the number of members of the management board. \textit{Supervisory board size} is the number of members of the supervisory board. Board compensation refers to the compensation of both the management and the supervisory board. Due to different board sizes we collect the EUR value of the board compensation for the whole management or supervisory board, respectively. These figures also comprise the intrinsic value of stock options granted in the respective year. \textit{Management board compensation} is the total amount of compensation for the whole management board divided by the number of management board members plus one. This ratio is based on the observation that the chair of the management board usually earns twice as much as an ordinary member of the management board. \textit{Supervisory board compensation} is the total amount of compensation for the whole supervisory board divided by the number of supervisory board members plus one and a half. This ratio is based on the observations that the compensation of the chair of the supervisory board and of her or his deputy are usually 100\% or 50\%, respectively, higher than the compensation of an ordinary member of the supervisory board. Litigation risk is assessed by the listing at a US stock exchange as well as by past performance. \textit{US listing} is a binary variable coded 1 if the company is listed at a US stock exchange and 0 otherwise. \textit{Past performance} is measured by the change of market capitalization based on the given number of shares in the three months prior to the release of the statement of conformity. To correct for outliers, we calculate z-scores of past performance.

\textbf{Control Variables.} We control for ownership structure as an important determinant of corporate governance (Daily, Dalton & Rajagopalan, 2003) by collecting the percentage of voting share ownership owned by \textit{institutional investors} or \textit{dispersed shareholders}, respectively. Institutional investors are frequently characterized as very vigilant owners (Black, 1992; Davis & Thompson, 1994; Useem, 1996) and include investment and pension funds. Banks and insurance companies which still hold major shareholdings in Germany (e.g., Vitos, 2004) were not considered as (influential) institutional investors because they usually depend on their portfolio firms for their own business and are therefore rather reluctant to activism (Brickley, Lease & Smith, 1988; Black, 1990; David, Kochhar & Levitas, 1998).

All independent and control variables are determined and cross-checked based on annual reports, corporate web pages and the Hoppenstedt database. Ownership data were additionally collected from the Commerzbank publication “Wer gehört zu wem”. Due to the skewness of the data, the natural logarithms (\ln) are computed in the case of non-standardized variables and used in the subsequent analyses.

\textbf{ANALYSIS}

Due to the binary status of the dependent variable, we apply logistic regressions in order to evaluate the appropriateness of our hypotheses. To assess issues of multicollinearity, variance inflation factors were examined. Variables are entered in different steps. Regression model 1 only utilizes the explanatory power of firm size which we expect to be the most influential predictor for Code compliance in general and compliance with the recommendation to agree a
deductible in particular. Model 2 also contains the effect of the second variable which intends to mirror the benefits of a deductible (i.e., management board size). Next, we enter those variables which are associated with the costs of a deductible (model 3). Subsequently, we control for ownership structure (model 4). In case of model 3 and 4, we also utilize the number of employees as a second measure of firm size in order to evaluate the robustness of the revealed associations.

Results

Eighty-four out of 151 companies have agreed a suitable deductible in their D&O policies. Hence, the corresponding acceptance rate of this recommendation amounts to 56 percent. This finding is consistent with previous studies on compliance with the German Corporate Governance Code (v. Werder & Talaulicar, 2007, 2008, 2009, 2010). Table 1 shows how the two groups of companies which either agree or disagree with the recommendation to establish a deductible in their D&O policies differ on the predictor and control variables collected in the present study. Table 2 summarizes descriptive statistics and correlations between the variables included in the study.

The results of logistic regressions for predicting the agreement of a suitable deductible in the D&O policies are presented in Table 3. Hypothesis 1 gains strong support, i.e., the larger the firm, the more likely it is that board members decide to agree a deductible in their D&O policies. In all models, the corresponding indicator equity capital turns out to be a significant predictor of the independent variable D&O deductible. About 10 percent of its variance can be explained with reference to equity capital only (model 1). Hypothesis 2 gains support, too. Even if the effect of firm size is taken into consideration, there is a positive association between the size of the management board and the decision to agree a suitable deductible (model 2). Hence, larger management boards tend to be more inclined to agree a suitable deductible in their D&O policies than smaller management boards are.

Regarding the size of the supervisory board, we observe, as suggested in hypothesis 3, that larger supervisory boards tend to reduce the likelihood to agree a suitable deductible in the company’s D&O policy (model 3a). This effect becomes significant when firm size also captures severally the number of employees (model 3b). Additional analyses, not shown, reveal that these effects cannot be traced back to the co-determination of the supervisory board. After entering an additional dummy variable co-determination coded 1 if the supervisory board is co-determined and 0 otherwise, this variable features a positive, but insignificant regression coefficient, while the effects of the remaining regressors remain largely unchanged.

Hypothesis 4 predicts that board compensation is positively associated with the decision to agree a deductible. Table 2 has shown that the corresponding variables management and supervisory board compensation are highly correlated with firm size. The regression analyses which contain measures of both board compensation and firm size do feature significant regression coefficients of neither management nor supervisory board compensation (model 3).

Intriguingly, the multivariate regressions mark the litigation risk associated with the listing at a US stock exchange as a significant predictor of the decision to agree a suitable deductible if the company has taken out a D&O liability insurance (model 3). The corresponding coefficient is negative and adds support to hypothesis 5. Hence, the multivariate models
reveal that firms tend to be more reluctant to agree a suitable deductible in their D&O policies if they are listed at a US stock exchange. However, the effects of past performance appear to be less important. Whereas firms which achieved above average performance in the past tend to be more likely to agree a deductible in their D&O policies, this effect turns out to be too small to be significant.

All effects turn out to be robust when controlled for ownership structure (model 4). In additional models (not shown), we also control for industry by including sector dummies. Again, the coefficients remain largely the same. The logit model is very successful in predicting firms that have agreed a D&O deductible (correct prediction rate of 80 percent) and acceptable for predicting firms that reject this specific recommendation of the GCGC (correct prediction rate of 56 percent). Therefore, predictors for the rejection of the Code recommendation may be less represented within the regression equations than variables useful for explaining the decision to agree a D&O deductible.

**DISCUSSION AND CONCLUSION**

Agreeing a suitable deductible in D&O policies can be a valid means to signal good governance to external constituencies. The signaling approach provides a new lens to study Code compliance (cf. Aguilera & Cuervo-Cazurra, 2009). Our study supports the notion that managers balance the benefits and costs of a D&O deductible when they decide on compliance with this specific Code recommendation. Further research may analyze to which degree this explanatory model can be generalized to other governance standards as well as to other governance environments. With regard to D&O policies, we have found that firm size and the size of the management board are positively associated with the tendency to agree a deductible. With regard to the perceived costs, supervisory board largeness and liability risk (measured by listing at a US stock exchange) tend to be negatively associated with the decision to apply this Code norm. Intriguingly, the effects of management and supervisory board size turned out to be, as hypothesized, in opposite directions. These findings indicate the different nature of appointments to either the management or the supervisory board and suggest that board members evaluate D&O policies differently from the perspective of the management versus the supervisory board. We have argued that group processes vary between the two organs because management board members work closely together with each other, whereas supervisory boards tend to be less cohesive due to their greater diversity and lower meeting frequency. Many anecdotic accounts can back this notion. However, systematic research on the group processes within the management and the supervisory boards of German stock corporations is still lacking and would be desirable to validate this assumption. In addition, future research could address whether similar differences can be observed between executive and non-executive directors in governance systems that feature a unitary board structure.

The logit model does not corroborate the hypothesized influence of board compensation. According to the model, board compensation is not significantly related to the agreement of a deductible in D&O policies. Since many scholars have argued that higher degrees of board member pay may be appropriate to compensate the possible losses due to the deductible, this finding may come with some surprise although prior empirical studies are less conclusive, too (cf. Core, 1997). One possible explanation of the apparent irrelevance of board compensation is that the corresponding variables are poor proxies for D&O wealth which is the main determinant of the threat effect exerted by a deductible according to deterrence theory.
Agreeing a deductible appears to be a valid means of signaling as long as external constituencies appreciate compliance. This entails, by no means, that agreeing a suitable deductible is indeed essential for good governance as the corresponding Code recommendation suggests. D&O policies are one, by all means not unimportant, part within corporate risk management systems. In this regard, standards of good governance have to tackle many more issues than the matter whether or not such policies shall include a deductible. Moreover, the suitability of a deductible can hardly be assessed without taking additional details of the corresponding insurance policy into account. Therefore, many more details of D&O policies have to be available in order to allow external constituencies to evaluate the appropriateness of the D&O policy which a firm has taken out as well as its compatibility with standards of good governance. This raises the plea that too much information could attract predatory plaintiffs because coverage may motivate to file a liability lawsuit (cf. Ihlas, 1997). Yet, experiences from other countries like Canada where disclosures on policy details are required (e.g., Wynn, 2008) may overrule this plea.

REFERENCES


das Zusammenwirken der Directors’ and Officers’ Liability Insurance mit anderen, dem Schutze der Directors und Officers vor persönlicher Haftung dienenden Vorsorgeeinrichtungen. Karlsruhe: VVW.
TABLE 1
Bivariate Comparisons between Businesses with/without a Suitable Deductible in Their D&O Policies

<table>
<thead>
<tr>
<th>Variable</th>
<th>Firms without deductible</th>
<th>Firms with deductible</th>
<th>Significance level for test of differences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity capital (million EUR)</td>
<td>167.24</td>
<td>471.03</td>
<td>0.0595</td>
</tr>
<tr>
<td>Number of employees (thousand)</td>
<td>15.23</td>
<td>43.28</td>
<td>0.0173</td>
</tr>
<tr>
<td>Management board size</td>
<td>3.81</td>
<td>4.79</td>
<td>0.0024</td>
</tr>
<tr>
<td>Supervisory board size</td>
<td>10.09</td>
<td>12.37</td>
<td>0.0191</td>
</tr>
<tr>
<td>Management board compensation (thousand EUR)</td>
<td>665.71</td>
<td>893.54</td>
<td>0.0688</td>
</tr>
<tr>
<td>Supervisory board compensation (thousand EUR)</td>
<td>29.87</td>
<td>43.68</td>
<td>0.0099</td>
</tr>
<tr>
<td>Listing at a US stock exchange</td>
<td>0.12</td>
<td>0.12</td>
<td>0.9947</td>
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<tr>
<td>Past performance (z-score)</td>
<td>-0.18</td>
<td>0.14</td>
<td>0.0530</td>
</tr>
<tr>
<td>Institutional ownership (percent)</td>
<td>1.88</td>
<td>4.38</td>
<td>0.2094</td>
</tr>
<tr>
<td>Dispersed ownership (percent)</td>
<td>52.27</td>
<td>51.99</td>
<td>0.9447</td>
</tr>
</tbody>
</table>

Differences in means are evaluated using t-tests.
### TABLE 2
Descriptive Statistics and Correlations

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>s.d.</th>
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<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
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</thead>
<tbody>
<tr>
<td>1. Deductible</td>
<td>0.56</td>
<td>0.50</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Equity capital (million EUR)</td>
<td>336.24</td>
<td>985.03</td>
<td>0.15</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Number of employees (thousand)</td>
<td>30.83</td>
<td>72.28</td>
<td>0.19</td>
<td>0.49</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Management board size</td>
<td>4.35</td>
<td>1.99</td>
<td>0.25</td>
<td>0.32</td>
<td>0.56</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Supervisory board size</td>
<td>11.36</td>
<td>6.03</td>
<td>0.19</td>
<td>0.37</td>
<td>0.50</td>
<td>0.55</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Management board compensation (thousand EUR)</td>
<td>794.55</td>
<td>733.84</td>
<td>0.15</td>
<td>0.26</td>
<td>0.55</td>
<td>0.44</td>
<td>0.48</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Supervisory board compensation (thousand EUR)</td>
<td>37.63</td>
<td>32.27</td>
<td>0.21</td>
<td>0.27</td>
<td>0.46</td>
<td>0.50</td>
<td>0.53</td>
<td>0.53</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Listing at a US stock exchange</td>
<td>0.12</td>
<td>0.33</td>
<td>0.00</td>
<td>0.37</td>
<td>0.34</td>
<td>0.31</td>
<td>0.22</td>
<td>0.41</td>
<td>0.36</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Past performance (z-score)</td>
<td>0.00</td>
<td>1.00</td>
<td>0.16</td>
<td>0.28</td>
<td>0.18</td>
<td>0.30</td>
<td>0.27</td>
<td>0.39</td>
<td>0.39</td>
<td>0.34</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Institutional ownership (percent)</td>
<td>3.27</td>
<td>12.12</td>
<td>0.10</td>
<td>0.01</td>
<td>0.15</td>
<td>0.28</td>
<td>0.21</td>
<td>0.19</td>
<td>0.25</td>
<td>0.10</td>
<td>0.33</td>
<td></td>
</tr>
<tr>
<td>11. Dispersed ownership (percent)</td>
<td>52.12</td>
<td>24.23</td>
<td>-0.01</td>
<td>0.12</td>
<td>0.11</td>
<td>0.03</td>
<td>0.06</td>
<td>0.21</td>
<td>0.06</td>
<td>0.27</td>
<td>0.02</td>
<td>-0.25</td>
</tr>
</tbody>
</table>

All correlations greater than $|0.27|$ are significant at $p < 0.001$; all correlations greater than $|0.21|$ are significant at $p < 0.01$; all correlations greater than $|0.18|$ are significant at $p < 0.05$. 
### TABLE 3
Results of Logistic Regression Analysis Predicting the Agreement of a Suitable Deductible in D&O Policies\(^a\)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3a</th>
<th>Model 3b</th>
<th>Model 4a</th>
<th>Model 4b</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity capital</td>
<td>0.38(^{**}) (0.12)</td>
<td>0.26(^{†}) (0.14)</td>
<td>0.43(^*) (0.20)</td>
<td>0.40(^{†}) (0.20)</td>
<td>0.47(^*) (0.21)</td>
<td>0.43(^*) (0.22)</td>
</tr>
<tr>
<td>Number of employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management board size</td>
<td></td>
<td></td>
<td>0.87(^{†}) (0.47)</td>
<td>0.92(^{†}) (0.52)</td>
<td>0.83 (0.52)</td>
<td>0.89(^{†}) (0.52)</td>
</tr>
<tr>
<td>Supervisory board size</td>
<td>-0.59 (0.42)</td>
<td>-0.81(^{†}) (0.48)</td>
<td>-0.63 (0.43)</td>
<td>-0.84(^{†}) (0.47)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management board compensation</td>
<td>0.26 (0.34)</td>
<td>0.15 (0.36)</td>
<td>0.24 (0.34)</td>
<td>0.13 (0.36)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supervisory board compensation</td>
<td>-0.01 (0.25)</td>
<td>-0.01 (0.25)</td>
<td>-0.03 (0.25)</td>
<td>-0.03 (0.25)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Listing at a US stock exchange</td>
<td>-1.19(^{†}) (0.65)</td>
<td>-1.23(^{†}) (0.66)</td>
<td>-1.25(^{†}) (0.68)</td>
<td>-1.29(^{†}) (0.69)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Past performance</td>
<td>0.19 (0.23)</td>
<td>0.19 (0.23)</td>
<td>0.16 (0.24)</td>
<td>0.16 (0.24)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Institutional ownership</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.01 (0.02)</td>
<td>0.01 (0.02)</td>
</tr>
<tr>
<td>Dispersed ownership</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.00 (0.01)</td>
<td>0.00 (0.01)</td>
</tr>
<tr>
<td>Constant</td>
<td>-6.67(^{**}) (2.22)</td>
<td>-5.77(^*) (2.29)</td>
<td>-10.78(^{**}) (4.04)</td>
<td>-9.35(^*) (4.27)</td>
<td>-10.93(^{**}) (4.05)</td>
<td>-9.52(^*) (4.29)</td>
</tr>
<tr>
<td>-2 Log-Likelihood</td>
<td>196.65</td>
<td>193.10</td>
<td>169.82</td>
<td>168.80</td>
<td>169.43</td>
<td>168.47</td>
</tr>
<tr>
<td>Pseudo-R(^2)</td>
<td>0.09</td>
<td>0.12</td>
<td>0.18</td>
<td>0.19</td>
<td>0.18</td>
<td>0.19</td>
</tr>
</tbody>
</table>

\(^a\) Regression coefficients are reported (with standard errors in parentheses).

\(^{†}\) \( p < .10 \)
\(^*\) \( p < .05 \)
\(^{**}\) \( p < .01 \)
\(^{***}\) \( p < .001 \)
SEX, GENDER IDENTITY, AND ENTREPRENEURIAL ORIENTATION
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ABSTRACT
This study examines the role of gender identity in shaping men and women’s orientation towards entrepreneurship and extends the emerging body of work on entrepreneurship as a gendered process. Our results show that there is no significant difference between men and women in terms of entrepreneurial orientation; there is significant difference between men and women in feminine identity but a marginally significant difference in masculine identity. In this study, masculine identity among men and women was not associated with higher levels of entrepreneurial orientation but androgynous orientation was. Our results support the view that both masculine and feminine qualities (androgyny) increase individuals’ orientation towards entrepreneurship.

INTRODUCTION
Recent discussions in the entrepreneurship literature suggest that differences between men and women’s proclivity towards entrepreneurial activities may be associated with gender characterization (Marlow & Patton, 2005). There is now a large body of literature that looks at men and women in entrepreneurship (Brush, de Bruin, & Welter, 2009), but few studies adopt a gender perspective as opposed to sex (Lewis, 2006). The distinction between sex which is ascribed to biology and gender which is socially constructed is an important one in the social sciences (Person & Ovesey, 1983; West & Zimmerman, 1987). Specifically, gender attributes a circumscribed meaning to the innate characteristic of ‘sex’ (Bruni, Gherardi, & Poggio, 2004) through a constructivist process (Mirchandani, 1999) which is “both organized by and shapes our sense of social organization, formal and informal” (Linstead & Pullen, 2006: 1292).

In this study, we examine the role of gender identity- defined here, as the “fundamental, existential sense” of one’s location in the gendered social space (Ely, 1995; Spence 1984: 83) - in shaping men and women’s orientation towards entrepreneurship. Our research extends the emerging body of work on entrepreneurship as a gendered process (Lewis, 2006; Mirchandani, 1999). If there are significant differences between the gender identities that men and women construct, and if such identities affect individual proclivity for entrepreneurship, then a partial explanation for differential rates of entrepreneurial among men and women may be found in people's differential construction of their gender identity. Finally, because many studies posit that the role of sex and gender in influencing business-related outcomes varies between cultural groups (Harris, 1994), we pursue our research in an international setting, particularly focusing on young adults in Turkey and the United States.

THEORETICAL BACKGROUND
A substantial body of research in entrepreneurship suggests that men and women will differ in orientation towards entrepreneurship. The literature on human capital indicates that knowledge, skills, competencies and other attributes relevant to economic activity are unevenly distributed across men and women (Centindamar, Gupta, Karadeniz, & Egrican, 2012). Men and women may also differ in the degree of development of their social contacts (often referred to as social capital) which influences the likelihood that their endeavors will be supported by others whose help the enterprising individual may need (Manolova, Carter, Manev, & Gyoshev, 2007). Differences in men and women’s access to human and social capital factors will be reflected in their proclivity to entrepreneurship. Therefore, we hypothesize:

**H1:** EO will be higher among men compared to women.

The social system proscribes males to think and behave as men do and females to act in ways that women do (Williams and Best, 1982). Thus, in most societies, men and women are socialized in different ways such that men tend to ascribe to a masculine identity of economic achievement and work and women ascribe to a feminine identity through familial relations. Gender identity results from a social process (Poggio, 2006) and “as social actors, individuals are never free from the normative context” imposed by the society (Pringle, 2008: 115). This suggests that individual behaviors are driven by values and beliefs that are molded over time through social institutions that surround us. Therefore, we hypothesize that:

**H2:** Men exhibit higher levels of masculinity than women and women exhibit higher levels of femininity than men.

It is possible that gender identity may influence individual proclivity towards entrepreneurship more than biological sex. Several studies indicate that the masculine norm is implicit in entrepreneurship (Lewis, 2006; Marlow, 2002). For this reason, individuals who see themselves as having a masculine identity perceive themselves as competitive, aggressive, and achievement-focused. The sex role strain paradigm (Pleck, 1981) has found that establishing a masculine identity often involves acting in a hyper aggressive fashion. Such individuals may have a greater desire to lead others through setting up their own firms, thereby causing them to pursue new venture creation as a way to achieve success. Therefore, we expect enterprising individuals of both sexes who are high in masculinity to place greater importance on entrepreneurship and have higher EO. We hypothesize:

**H3:** Among both males and females, a masculine identity is associated with higher levels of EO.

Entrepreneurship presents men and women with a career where they can balance work-family demands due to greater time flexibility and succeed through superior customer and employee relationships (Heilman & Chen, 2003). Given the permeable boundaries between work and family in most entrepreneurial ventures, entrepreneurs are expected to dexterously balance personal and professional obligations (Katz & Green, 2009). New ventures often find themselves going in and out of situations that demand a masculine identity through focusing on work and the rewards that come with succeeding at it and a feminine identity through downplaying one’s own achievements to share the credit with other stakeholders (e.g., spouse or employees). Therefore, we hypothesize:
H4: Among both males and females, androgynous orientation is associated with higher levels of EO compared to masculine or feminine orientation.

METHODS

Data and Sample
Data were collected in two countries: the U.S. and Turkey. A total of 1640 undergraduate business students were contacted (740 in the US and 900 in Turkey) and 796 responses were received (517 from the US and 279 from Turkey), for an overall response rate of about 48 percent. The average age of our sample was 25.85, with minimum of 17 and maximum of 55. About half (53.4 %) of the respondents were males. The survey was administered by local professors in the two countries. Participants were assured of confidentiality, and participation was voluntary. The questionnaire took approximately 20 minutes to complete.

Measures and Procedures

Independent variables. Participants self-reported their sex by categorizing themselves as either man or woman. Gender identity was measured on a five-point Likert scale (1=strongly disagree to 5=strongly agree) using six items developed by Dorfman and Howell (1988).

Dependent variables. EO is a unidimensional construct comprising of innovativeness, risk-taking, and proactiveness (Covin et al., 2006). To measure EO, we used a five-point 13-item Likert scale which composed of 3 measures: innovativeness (Agarwal & Prasad, 1998), risk-taking (Stewart, Watson, Carland & Carland, 1998), and proactiveness (Bateman & Crant, 1993).

Control variables. We also included respondent age and country as control variables as they can affect EO (Bajdo & Dickson, 2001, Mueller & Thomas, 2000).

RESULTS

Hierarchical multivariate regression was used when testing hypotheses 1, 3 and 4. Hypothesis 1 proposed that EO would be higher among men than women but it was not supported. There was no significant difference between men and women in EO. There was a significant difference between males and females in terms of feminine identity (p < 0.001) and there was a marginally significant difference between males and females in terms of masculine identity (p < 0.1). Therefore, hypothesis 2 was partially supported. Hypothesis 3 proposed that masculine identity would be associated with higher levels of EO regardless of sex. Contrary to our expectations, masculine identity was not significantly related to EO; therefore, hypothesis 3 was not supported. In line with expectations, androgynous identity was significantly related to EO (p<.001). Also, androgynous identity had a stronger relationship with EO than masculine, feminine or undifferentiated identities. Therefore, hypothesis 4 was supported.

DISCUSSION

The purpose of the present study was to examine whether the effect of individual’s sex category (male or female) on their orientation towards entrepreneurship occurs through cognitive processes associated with the psychological construct of gender identity. Our results show that there is no significant difference between men and women in terms of entrepreneurial
orientation. However, there was a significant relationship between sex and feminine gender identity and a marginally significant relationship between sex and masculine gender identity.
REFERENCES


UNDERSTANDING MILLENNIALS AND PERSONAL ACCOUNTABILITY

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ABSTRACT
Currently, the work environment has teamwork being prevalent (Gibson, Tesone, & Blackwell, 2003) necessitating team members to be individually effective (Andert, 2011), which requires training (Del Monte, 2000; Mumford, Van Iddekinge, Morgeson, & Campion, 2008). Since Millennial workers (those born after 1980 (Alsop, 2008) value working in teams (Piper, 2012), their lack of training may be overlooked during college. Explicitly including such training in a strategy class using a team learning approach with impactful peer evaluations resulted in increased effort on non-related individual assignments for moderate and poor Millennials. However, better students were not positively impacted which requires more investigation.

Despite extensive attempts to train people in group work, there is abundant evidence that in a work setting people rarely know how to behave as effective team members (Del Monte, 2000; Mumford, Van Iddekinge, Morgeson, & Campion, 2008). This is true for workers of any age (Mumford et. al., 2008), but may especially be true for people born between 1980 and 2000, the millennial generation (hereafter called the Millennials) (Alsop, 2008). These youngest of our workforce value community and groups (Piper, 2012) and so their lack of effectiveness in teams seems counterintuitive and may not even be noticed until performance has suffered.

For this and other reasons, the important general qualities of this age group need to be better understood by those managing the Millennials in the workforce (Piper, 2012; Hershatter & Epstein, 2010), or teaching them in higher education (Milliron, 2008; Ng, Schweitzer, & Lyons, 2010). Analyzing the full set of characteristics evidenced by the millennial generation is beyond the scope of this paper; therefore the discussion will focus on a characteristic that is critical both for successful work place accomplishments, such as effective teamwork, and for successful higher educational experiences – personal accountability.

We will begin our discussion by supporting the assertion that personal accountability is a critical personal characteristic and ability in work and University settings. We will then examine some of the known qualities and attributes of the Millennials that relate to this characteristic. From this literature base, we will empirically examine the peer evaluation patterns of over one hundred University students in 24 teams during 2012. We conclude by providing propositions for adjustments to be made to managerial practices and instructional techniques that will encourage Millennials in their attempts to attain their college and work place goals and create successful team efforts.
THE NATURE OF ACCOUNTABILITY

Accountability.

Accountability has been researched within a variety of functions in the workplace (Lerner & Tetlock, 1999; Shore & Tashchain, 2002; Stapleton & Hargie, 2011) and in both for-profit and non-profit organizations (Wenjue & Brower, 2010). A basic definition sees accountability as the requirement and ability to justify something to someone else. Typically, accountability involves the justification of a belief, feeling, or action where there is a consequence to the justifying party, based on the quality of the justification and/or base phenomenon (Lerner & Tetlock, 1999). Justification is typically based on some kind of expert or authority. However, when accountability is required of teams, many individuals, particularly Millennials, actively assert peer authority (Fredrick, 2008) rather than leadership or hierarchical authority.

The more that the justifying party values the other’s judgment, and the stronger the consequence, the more important accountability becomes (Sweet & Pelton-Sweet, 2008). Some argue that accountability does not only refer to the ability to justify something, but that it can also include an internal individual component, that is an internal monitor of good and evil that some may call conscience (Cornwall, Lucas, & Pasteur, 2000).

Personal Accountability

At a minimum, personal accountability refers to reflective accountability where an individual’s beliefs and actions are knowingly aligned with his or her values (McCormick, 2009). That is, the individual is aware of how his actions and belief align. Said differently, the person makes commitments to or for something, honors those commitments and accepts the consequences of his or her personal behavior.

Personal accountability relates closely to the issues of trust and trustworthiness. Many researchers have found a high importance for individual trustworthiness in work environments (Groysberg & Abrahams, 2006; Rusman, van Bruggen, Sloep, & Koper, 2010; Piper, 2012). We posit that personal accountability, where beliefs, values and actions align, is an internal component of trustworthiness. This suggestion agrees with the view of the popular press author, Compton, that the integral nature of personal responsibility in accountability matters (Compton, 2007).

Thus an internal version of accountability, at the individual level, can be defined as the conscious choice to accept personal responsibility for one’s own choices and actions, as well as their consequences. In essence, a person holds him or herself accountable in integrity for what he or she commits to doing. This goes beyond simply being reliable and completing what is committed to; it is a matter of having the integrity to accomplish the work well and on the time line and conditions given. Indeed, reliability and integrity are two of the top three qualities desired in new hires (English, Manton, Pan, Schirru & Bhownik, 2012).

The external component of personal accountability includes the “other,” the person who is in a position of authority and can make a judgment on an individual’s effort and effort result. This position of authority may be based on formal position in a hierarchy (French & Raven, 1959), or it may be based on a mutually agreed upon arrangement (Katzenbach & Smith, 2003). It might even be based on a conscious or unconscious willingness to let the opinion of others affect one’s own self (Leggatt-Cook & Chamberlain, 2012). The key point here is that the person being called upon for justification must both give the right to, and recognize the right of,
the other person to call for accountability. It should be stressed at this point that, though we have presented the extrinsic and intrinsic orientations to accountability as distinct concepts, they are not as neatly divided as implied above.

**Accountability in Teams**

Accountability is important to work teams. Articles addressing one component or another of accountability and team work can be found in accounting (Gardner, 2012), healthcare (Piper, 2012), information technology (Dubinsky, Yaeli, & Kofman, 2010), virtual teams (Rusman, van Bruggen, Sloep, & Koper, 2010), K-12 education (McCormick, 2009), banking (Stapleton & Hargie, 2011), and non-profit (Wenjue & Brower, 2010) areas.

The literature suggests that personal accountability is integral to the success of work teams, as is suggested in this definition of a work team as: “a small number of people with complementary skills who are committed to a common purpose, set of performance goals and approach for which they hold themselves mutually accountable” (Katzenbach & Smith, 2003). Top results from work teams require that each team member, individually, be accountable for the work they do, individually and collectively, and for pulling one’s own weight (Leggat, 2007). This includes the willingness of team members to confront other members regarding dysfunctional attitudes and behaviors (Lencioni, 2002).

A successful team also requires accountability at the team level. Although the ideal would be to have high quality effort that results in high quality output regardless of whether or not the team was monitored, high team output is generally considered to require a form of accountability (Marx & Squintani, 2009). Formal extrinsic accountability in the form of performance expectations, based on well-defined strategic goals (Wilkinson, 1997) is vital to strong team performance. However, these goals must be clearly stated and communicated, as must team member roles and responsibilities (Dubinsky, Yaeli, & Kofman, 2010).

The literature suggests, however, that relying on performance pressure alone as an accountability method is problematic. Teams faced rising performance pressures tend to move away from utilizing personal areas of expertise to a reliance on common knowledge (Gardner, 2012). They are less likely to use and hold experts accountable for specialized contributions. Inaccurately distributed accountability protocols are also problematic. A team being held accountable for work that requires the inputs of outside stakeholders will be frustrated if those stakeholders escape the accountability web. This is particularly true in service industries where the client has multiple roles in the service effort, such as is found in healthcare or education (Piper, 2012; Turnbull, 2005; Bovens, 2010). Those outside stakeholders need to contribute by doing their fair share – that is the stakeholders need to accept personal accountability for their portions of the work effort (Turnbull, 2005).

**MILLINNEALS AND THE CURRENT WORK/UNIVERSITY CONTEXT**

More and more of the work force in the United States is migrating to younger workers and they are a large portion of the undergraduate population at most universities. The Millennials are now about 25% of the U.S. workforce (Piper, 2012) and are growing as a percentage of workers (Twenge J., 2010). As the percentage increases, workplace tensions have also increased due to undesirable characteristics of the Millennials such as perceived laziness and
lack of commitment (Deal, Altman, & Rogelberg, 2010). In the following sections we will first discuss the current work climate and its relationship to self-accountability. Next, we discuss key characteristics of the millennial generation and link those to the issues of personal accountability.

**The Current Work Climate and Self Accountability**

The work climate in the United States has been weak for a number of years and the Millennial generation has been greatly affected (find cite). Even with the downturn, however, this generation is growing in its influence on the workplace. However, there appears to be some disconnect between Millennial characteristics and what employers, faced with productivity pressures, are looking for. For example, a recent presentation of a survey of the 150 largest employers in the Dallas/ Fort Worth areas of Texas (English, Manton, Pan, Schirru, & Bhownik, 2012) indicated that the top five most important qualities for new hires were 1) integrity/honesty, 2a) the ability to work well with others, 2b) a good work ethic, 3) a positive work attitude, 4) listening skills, and 5) being self-motivated.

Entry level positions for college graduates appear to demand similar qualities. In 2011, we conducted a sampling of over 200 entry-level (college graduate) management and professional job announcements from key population centers in the Mid-Atlantic, South Atlantic and Pacific Northwest. Tabulations were kept on qualities identified as desired for these positions. The top five frequency levels had several ties which resulted in 13 desired skills. The skills, in order of frequency desired are: 1) ability to communicate, 2a) ability to work with or lead teams, 2b) ability to accomplish organizational goals, 3a) ability to solve business problems, 3b) ability to direct others in accomplishing tasks, 4a) ability to work in a context of diversity, 4b) ability to lead through innovation, 4c) self-discipline, 4d) ability to manage professional networks, 4e) ability to manage projects, 4f) being a self-starter, 5a) ability to recognize business opportunities and 5b) being adaptable.

Personal accountability relates to most of these desired skills. Honesty enforces claims of reaching organizational goals. Successfully working in, or leading, a team requires the ability to pull one’s weight, to honor commitments and to accept the consequences of his or her personal behavior. It also implies includes holding others accountable for accomplishing team tasks. Self-discipline, and self-motivation are highly correlated with personal accountability and they lead to a good work ethic. Personal accountability enforces professionalism and dealing well with others as well as accomplishing tasks to which one has been assigned (Perkins, 2011).

This has implications when we are concerned with issues related to accountability both in the school environment and in the work environment. We recognize the need for accountability training in higher education to help decrease this gap.

**Characteristics of the Millennial Worker and Student**

The students who are entering the work force and universities in 2012 are at the very end of the Millennial generation. Since the generation was born between 1980 and 2000 (Alsop, 2008), those born in the 1980s are entering their thirties. A significant number of Millennials are in the workforce or in colleges and universities.

The Millennials are comfortable with a multicultural workplace (Ng, Schweitzer, & Lyons, 2010) and are predisposed to work in teams (Piper, 2012). They are willing to put forth time and effort for projects they believe in (Ng, Schweitzer, & Lyons, 2010) but value work-life
balance (Twenge J. M., Campbell, Hoffman, & Lance, 2010). These young workers are very willing to leave positions for others that they view as offering better opportunities for advancement (they expect to move rapidly up the corporate ladder) or that have a perceived better quality of work life either in relationships with co-workers, in more flexible schedules, or in less stressful work conditions (Piper, 2012).

The Millennials want to learn and progress personally as well as professionally. This means that they value a nurturing environment with supportive co-workers and supervisors, and prefer benefits such as tuition reimbursements over pension plans (Ng, Schweitzer, & Lyons, 2010). They also have a reputation for acting “entitled” (Twenge J., 2010) and for having a disconnect in their achievement-reward causality understanding (Ng, Schweitzer, & Lyons, 2010).

Some empirical work indicates that the Millennials are narcissistic (Westerman, Berman, Berman, & Daly, 2012; Berman, Westerman, & Daly, 2010), meaning that these young students and workers have a “disproportionate sense of self-worth” (Kelley, 2009). This can lead to antisocial behavior in work and personal lives. Business students have been found to have higher instances of narcissist behavior than psychology students (Westerman, Berman, Berman, & Daly, 2012). As a result, the business school may have more students who do not feel a need to change personal behavior and who will blame others for the problems they face (Berman, Westerman, & Daly, 2010).

Professors at universities also identify these characteristics. As students, Millennials are viewed as being lazy, with a sense of entitlement (Ng, Schweitzer, & Lyons, 2010; Twenge J., 2010) and as demanding a large amount of instructor’s time (Hershatter & Epstein, 2010). For assignments, they want very precise instructions on what to do and how it will be graded (Hershatter & Epstein, 2010) but still want flexibility on when and where work gets done (Hershatter & Epstein, 2010; Ng, Schweitzer, & Lyons, 2010). It is difficult to allow these students the freedom to explore and be creative in their higher education endeavors because they view such ambiguity as being biased and unfair (Hershatter & Epstein, 2010). They also are prone to take any online source as legitimate despite problems with accuracy validity and reliability (Hershatter & Epstein, 2010).

As a generation, Millennials have large amounts of self-esteem and assertiveness which can lead to greater chances of aggressive responses to ego-sensitive issues (Twenge & Campbell, Isn't it fun to get the respect that we're going to deserve? Narcissism, social rejection, and aggression, 2003). Such students do not work well in teams. They blame others for difficulties and grab success for themselves (Berman, Westerman, & Daly, 2010). To add to the difficulties, there seems to be a disconnect between what the Millennials feel entitled to and their actual skill set. According to the national ACT organization, 60% of students taking the ACT test are not ready to either enter college or to be gainfully employed (Adams, 2012). Only 25% demonstrate preparedness in the four areas being examined (English, math, reading, science).

Deal and colleagues have argued that some of the identified characteristics associated with the Millennials are artifacts of their stage of life, and were true of the other generational groupings in the past (Deal et. al, 2010). This does not mean that there are not some enduring characteristics unique to the Millennial generation, related to their preference for technology-mediated communications and a strong lack of temperance in behavior (Deal, Altman, & Rogelberg, 2010). It may be correct that some of the negative characteristics associated with
Millennials are due to their age, and may not be enduring. Nevertheless, these characteristics must be considered as managers from other generations attempt to recruit and retain these workers and co-workers interact with Millennials in their professional life (Twenge J., 2010; Espinoza, Ukleja, & Rusch, 2011; Piper, 2012).

**THE MILLENNIALS, WORK GROUPS, AND ACCOUNTABILITY**

Almost two decades ago, many Business Schools moved to a use of teams in classes (Chad, 2012; Opdecam & Everaert, 2012). This approach to learning has been in the K-12 school systems as long as the Millennials have been alive (Smith, Johnson, & Johnson, 1982). Thus, it comes as no surprise that Millennials, whether in school or at work, are team oriented and prefer that more egalitarian approach to work (Akhras, 2012; Piper, 2012). However, when teams are an integral part of the learning process and a large proportion of the students are narcissistic, learning for all students is undermined (Twenge & Campbell, 2003).

These changes are reflected in the work environment. As contrasted with the 20th century, more work in the 21st century is expected to be done in self-directed work teams (Gibson, Tesone, & Blackwell, 2003) where individual team members rotate between being a follower, an expert, and a leader (Andert, 2011). In this environment, workers need to have strong skills both as team members and as leaders and managers. The work force might appear more egalitarian, but successful timely completion of work is still critical. Self-directed work teams have demonstrated higher levels of competence than single leader only work teams (Kauffeld, 2006). However, research has shown that higher levels of competence do not just occur but are the result of explicit training (Mumford, Van Iddekinge, Morgeson, & Campion, 2008)

Strong team accountability measures are a common extrinsic motivation tool used in business (Sigel-Jacobs & Yates, 1996; Compton, 2007) and are also used in self-directed work teams. This accountability might involve having to justify the process used in the work group, or the results obtained (Cornell, Eining, & Hu, 2011). One well regarded way to obtain team accountability is through peer evaluations, and as teams proliferate in the workplace, more and more firms are putting peer evaluations into place (Compton, 2007; Cannon & Witherspoon, 2005). This is also a growing trend in the university. Peer evaluations are being used in classrooms more and more frequently to help team members hold each other accountable for their process and output results (Compton, 2007; Cestone, Levine, & Lane, 2008). Peer evaluations ask each member of the team to evaluate the others against such criteria as individual-level accountability (willingness to do share of work), quality of work, and team dynamics.

There is a growing literature on the effect of peer evaluations upon group work. Quality of work is usually a primary reason for high evaluations (Kim, Baek, & Kim, 2011). This is true even if prior GPA levels are used as a control for intrinsic student motivation. There is an identified correlation between prior GPA and amount of effort evidenced by students; higher GPA students put forth greater effort than lower GPA students (Mitchell, 1992). Team spirit can also affect evaluations, but that relationship varies by the level of self-esteem of the evaluating student (Kim, Baek, & Kim, 2011).

Some research has shown that when strangers replace friends as evaluators, team scores improve (Corgnet, 2012). Genders do not appear to impact peer evaluations (Ammons & Brooks, 2011), but social styles (May & Gueldenzoph, 2006) do. Individuals tend to evaluate team
members that have a social style similar to theirs higher than those who do not (May & Gueldenzoph, 2006)

Current examinations into personal accountability via peer evaluations have looked at the characteristics that influence the level peer evaluations (May & Gueldenzoph, 2006; Kim, Baek, & Kim, 2011). However, there is limited literature that examines the use of peer evaluations as a tool that creates continuous improvement. In this paper, we look at this aspect of peer evaluations.

Questions about Personal Accountability, Peer Evaluations and Subsequent Personal Learning.

Based upon the above literature review, we developed several questions from which hypotheses were drawn. These questions were grouped, roughly, into personal accountability issues and team accountability issues. This paper addresses the issue of personal accountability which is the personal recognition of a commitment and the meeting of that commitment in a timely fashion at specific quality standards. There is an implied application of this construct in college courses where a student commits a certain amount of time and effort in a class. Ideally the grade from that class is a measure of the student’s commitment to and production for the class. However, this internal accountability impacts others when it occurs in the context of a group. We also argue that an individual’s personal accountability orientation will also be impacted by the explicit view of group members beyond a nebulous peer pressure effect when those peer provide feedback on the individual’s performance of personal accountability through peer evaluations. In the remainder of the paper, we will show the results of a test that affects personal accountability.

Given the millennial student, we might expect that disconfirming information on individual effort and quality of that effort might initially be rejected. Thus, we wonder, “Do peer evaluations impact an individual’s learning and effort on subsequent individual tasks not related to the team project?” We examine this question with the following hypothesis:

H1: Millennial students will not change their individual study habits and efforts as evidenced by individual test scores based on peer evaluations of work done for teams.

However given the previous recent work on aspects which impact peer evaluations and the confounding nature of previous intrinsic academic motivation, we might find that academically stronger students will not change their habits because they do not perceive a need to change even in the face of poor peer evaluations (we speculate that narcissistic behavior would be coupled with previous grade reinforcement) and that academically poor students might not have the self-discipline to change their habits, but that academically moderate students will be positively impacted by peer evaluations since they may have neither the hubris associated with being a top student nor the self-discipline problems faced with low achieving students.

H2: Millennial students receiving any “B” percent grade on previous individual work will have an increase in their individual work after receiving peer evaluations for team-based work.
Furthermore, due to the disinclination to receive disconfirming information, we expect students with very low earlier efforts to pay very low attention to peer evaluations as mentioned earlier. In fact, there is work that suggests that they will be overwhelmed by complex tasks and to be rendered incapable of increased personal effort (Twenge & Campbell, 2003). Thus, we suggest the following hypotheses:

H3: Millennial students with earlier work earning less than a “B” will have no change in subsequent individual grades if they received an average peer evaluation score below 90% from their peers.

Finally, top students, as mentioned earlier, often are always going to put forth their best efforts no matter the feedback from their peers. Thus, we expect that students with a history of high performance will continue at high levels no matter the peer feedback received on team projects.

H4: Millennial students with earlier work earning above a “B” will have no change in subsequent individual grades no matter the peer evaluation received from their peers.

METHOD

This examination of personal accountability its characteristics and its impact on subsequent behavior of Millennials was supported by a quasi-experimental study held in two regular semesters and one summer term. The subjects were undergraduate students who formed teams in a Capstone strategy class in a College of Business in a comprehensive regional university located in the mid-Atlantic area of the United States.

Participants

A total of 117 students participated, with 21% not turning in their first peer evaluation. These 117 students were placed in 25 groups with an average of about 5 team members in each group (4 to 6 members). About 30% of the participants were female and 70% were male. This sample was slightly more male intensive than the male/female ratio in the College of Business which is typically 65% male and 35% female. About 18% of the sample were from designated minorities; this mirrors the number of minorities in the university.

Procedures

Teams were formed at the beginning of the term and each team had three main team assignments. The initial team assignment was due at the beginning of the semester and related to the forming of the team. The assignment included training in team process roles. The second assignment was a presentation of a limited case about half way through the term. The final
assignment, a major strategic analysis report and presentation due at the end of the semester, had three sub-assignments due throughout the term. The teams were either formed by allowing students to seek teammates from other business majors to create elements of diversity in the teams or by assigning students randomly to teams and then allowing them to shift if the team needed a better diversity representation. All teams had at least two dimensions of diversity (gender, age, work experience, ethnicity, or national background), had representations from at least three of the functional areas in business, and each team had to have a member majoring in accounting or finance.

**Measures**

Each team member was assigned to do a peer evaluation after each team assignment except for the first assignment in which they formed the team. These peer evaluations were used to revise the team’s base grade on the corresponding assignment to reflect the individual’s effort and participation in the creation of that team deliverable. The grade adjustment allowed for those who received low team evaluations to receive only a portion of the team grade, and those who received high team evaluations to receive up to 1.10% of the team grade. The peer evaluations had a personal accountability component in the accomplishment of an assigned task and an assessment of how well that individual performed the behaviors needed by an assigned team process role.

A total of 462 peer evaluations were turned in, along with 92 self-evaluations. The peer evaluation scores were calculated as a percent of the total possible score. There were five questions on the evaluation, with a maximum value of five points each. Since self-evaluations were included, this meant that the total possible points for any individual, was the number of team members times 25. The percent was calculated by the total score divided by the total possible for their team. Thus, if a peer evaluation score fell below 90%, students would receive an adjusted team score of their peer evaluation score times the team base score earned on the associated assignment. Peer evaluations scores made a difference to the individual’s grade if they were not perceived by their peers as earning at least an A across their task completion and team process role behaviors.

Each peer evaluation had the same five questions. The first question related to the extent to which a team member followed a team-contract-defined set of anticipated behaviors and quality standards. The second question asked specifically about the team’s ability to rely on the individual to do the work he or she was assigned or had agreed to do (self-accountability). The third question asked if the quality of the work submitted by the individual met the quality standards of the team. The fourth question asked if the individual did the team process role behaviors for the role that the member had agreed to do for that assignment. Thus, these four questions had two that related to the quality of work (#2 & 3), and two that related to team processes (#1 & 4) or “team spirit” as defined by Kim and colleagues (Kim, Baek, & Kim, 2011). The final question asked if the student would recommend that a friend “hire” the coworker on a future team. This question was our operationalization of the evaluating member’s satisfaction with the team member.

To examine our hypothesis, we assigned the students to the demographic block into which their score on the first test qualified them for classification. The low prior achieving
students were also divided into those that had received a “bad” peer evaluation. One tailed t-tests were performed on difference between their first and second test results for the blocks of students.

**Analysis**

Seventy-one of the ninety-two students who turned in their first peer evaluation had data recorded and could be part of this quasi-experiment.

**Hypothesis 1.** For Hypothesis 1, we first examine the other hypotheses. If there are no differences between the means for the other hypotheses, then we can conclude that support is found for hypothesis one. We will come back to this hypothesis at the end of this section.

**Hypothesis 2.** For Hypothesis 2, we examine the block of students who are moderate performers as indicated by earning at least an 80% and less than a 90% on the first exam. There 26 (36.6%) students who fit into this category. All of these students participated in the first and second individual quizzes, the team assignments and submitted and received peer evaluations. See Table 1 with the two average means, the degrees of freedom, variances, and the results of the t-tests. This examination of the students indicated that there is significant improvement between the two scores. However, the question is, did more increase occur than we might expect from natural variation. From Table 1, the expected amount to change was about 6 percentage points. Thus, we cannot support Hypothesis 2. On the other hand, while this increase is marginal (3 percentage points), it is a significant positive improvement from Quiz 1 to Quiz 2.

**Hypothesis 3.** For Hypothesis 3, we examine the block of students who are initially low level performers. A low initially performing student is one who earns a grade on the first test that is below an 80%. We will examine two sets of low performers. To test Hypothesis 1, we will
examine the whole set of low performers and determine if there was any change in performance after having received a peer evaluation. To test Hypothesis 3, we will examine just the low performers who also received a low peer evaluation. We will begin with this second examination (See Table 2). There were 17 (23.9%) students who fit into this category of being a low performer and receiving a negative peer evaluation on the first evaluation. From Table 2 we see that there is significant and major improvement between the two quiz scores. Even without the t-test, we would expect that a score improvement of 30 percentage points is significant. However, this does not support our hypothesis that poor students would be overwhelmed and unable to learn. Hypothesis 3 is not supported.

We now examine the entire set of low performing students if they participated in the peer evaluations and took the second quiz. Three were 41 (57.7%) students who fit into this category. When we examine Table 3, we again see that there is a significant increase in quiz scores. There is a small difference here with a difference of only 19 percentage points compared to the 30 points from Table 2. Since again the hypothesized difference was only 6 percentage points, this is a significant and beyond expectations positive change between quiz 1 and quiz 2.

Table 2: Low Performing Students with Bad Peer Evaluations and Continuous Learning Impact from Participating in Peer Evaluations

t-Test: Paired Two Sample for Means

<table>
<thead>
<tr>
<th></th>
<th>Quiz 1</th>
<th>Quiz 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>0.54</td>
<td>0.84</td>
</tr>
<tr>
<td>Variance</td>
<td>0.06</td>
<td>0.01</td>
</tr>
<tr>
<td>Observations</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>-0.05</td>
<td></td>
</tr>
<tr>
<td>Hypothesized Mean Difference</td>
<td>0.06</td>
<td></td>
</tr>
<tr>
<td>df</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>t Stat</td>
<td>-5.61</td>
<td></td>
</tr>
<tr>
<td>P(T&lt;=t) one-tail</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>t Critical one-tail</td>
<td>1.74</td>
<td></td>
</tr>
<tr>
<td>P(T&lt;=t) two-tail</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>t Critical two-tail</td>
<td>2.12</td>
<td></td>
</tr>
</tbody>
</table>

Table 3: Low Performing Students and Continuous Learning Impact from Participating in Peer Evaluations
t-Test: Paired Two Sample for Means

<table>
<thead>
<tr>
<th></th>
<th>Quiz 1</th>
<th>Quiz 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>0.64</td>
<td>0.83</td>
</tr>
</tbody>
</table>
Hypothesis 4. For Hypothesis 4, we examine the block of students who were high performers as indicated by earning at least a 90% on the first individual test. Twenty-nine students (40.8%) were classified into this block. All of these students participated in the team assignments and submitted and received peer evaluations. All of these students participated in the second individual test. In Table 4, we see the means for the high performers for Quiz 1 and Quiz 2 and one tailed t-test statistic. The mean decreases and the t-statistic is not significant. We conclude that there is no significant change in performance. Thus, we cannot reject our hypothesis. High performing students do not appear to be personally impacted by peer evaluations from team members.

Hypothesis 1 Revisited. We now go back and examine our t-tests for support or no support of Hypothesis 1 which argued that all Millennial students would not learn from having
peer evaluations. Hypothesis 2 was not supported so even though there was a positive increase it was within an anticipated range. That result supports Hypothesis 1. Hypothesis 3, however, showed positive and significant increases for both the low performing/bad peer evaluation block and the full low performing block. Hypothesis 3 analysis does not support Hypothesis 1. Hypothesis 4 was supported which also supports Hypothesis 1. We conclude that Hypothesis 1 is not supported. Some Millennial students appear to be positively impacted on a personal level by peer evaluation use for team projects.

**DISCUSSION AND IMPLICATIONS**

Recall that the team assignments for this quasi-experiment were set up to meet the learning needs of Millennial students. The quality of team output and team role portrayal was only included as a screening factor. We examined the “ripple” effect of having team learning that actually encouraged and required team members to hold each other accountable and the immediately subsequent learning effort result for individuals on separate individual work, individual quizzes. We found that unlike the proposals based on the ‘entitled’ and narcissistic scenarios about the Millennial students, low performing students actually stepped up their individual learning effort significantly. Moderate performing students had significant improvement but not beyond an expected level. High performing students, however, did display a result in alignment with the narcissistic construct in that there was not a significant positive change. However, these top performing students did on average drop to the moderate range. This bears further investigation.

The implications from this study is that by making conscious curriculum pedagogical choices, faculty can positively impact students in ways that will help prepare them for today’s work world. By having term projects broken down into smaller achievable units and requiring peer evaluations for those intermediate steps, faculty can help Millennial students learn to accept feedback on their quality and process role efforts and to make effort changes.

While this is only one effort from one school in one topic area, this methodology positively impacted the learning of 68% of the students in the classes. More investigation is needed into the impact on the high performing students. Did the high performing student’s scores on their individual efforts drop because they were picking up the slack from their poorer performing colleagues? Did the higher performing students have a higher inclination to not work with their peers on future projects? What is the pattern that enabled higher performing students to earn even higher grades on their individual work? We look forward to this continued investigation.

Employers might want to learn from this effort too. Having multiple milestone evaluations may help train Millennial workers to the quality expectations found at the work site with only minimal initial training on how to engage in effective team roles and the task required work. It may also be useful to initially include top performing workers in groups with Millennials and to allow them to provide tough quality standard based feedback. Such a work team, may more rapidly allow even mediocre Millennials (mediocre from the perspective of the work required at the job site) more rapidly learn not only how to work with the context based teams but to also improve their work ethic in other areas on the job. Something to think about and ultimate investigate.
REFERENCES


STRATEGIC CRISIS MANAGEMENT: A BASIS FOR RENEWAL AND CRISIS PREVENTION

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ABSTRACT
Globally crises occur daily. It is essential that leaders study internal and external factors responsible for crisis situations and to identify organizational strategies for preventing crises as well as effectively and efficiently managing crises that do occur. It is a strategic imperative to understand what crisis situations are and their causes as well as how to strategically and tactically manage and prevent them. Crises can occur in small or large organization and at different levels within them. With increased globalization, flattening of the world and the strategic moves of organizations to be more competitive, organizational leaders are identifying different ways that crises can be anticipated and prevented as well as how crises can be managed. A major organizational strength is the capability to strategically manage unexpected crisis situations. This paper examines the strategic processes necessary to manage crises and the decisions and actions of organizational leaders that are essential to prevent crises.

Keywords- Strategic crisis management, Organization Renewal, Organization Crisis, Empowerment, Scenario Planning

INTRODUCTION

A crisis is a series of unforeseen events that launch a group, team or an organization into a downward spiral that is quick and will have long term effects if the situation is not rapidly handled effectively and efficiently. Hermann’s definition (1972) argues that a crisis is a “situation that incorporates the following three conditions: (a) a surprise (b) a threat to high-priority goals, and (c) a restricted amount of time available for response” (As cited in Choi, Sung, and Kim, 2010). Crises are not limited to any organizational size or type. They occur in all types of organizations from the wealthiest empires to the “mom and pop” stores, and decision makers must be ready to act fast when they occur.

Dayton (2004) states that the: “modern crisis does not recognize or respect national boarders; it thrives on fragmentation and variety…it does not confine itself to a particular policy area; it jumps from one field to another, unearthing issues and recombining them into unforeseen mega-threats…the modern crisis is not boxed in by set dates that mark a clear beginning and ending; it is an embedded vulnerability that emerges, fades, mutates, and strikes again” (Dayton, 2004: 166).

Dayton’s (2004) statement perfectly exemplifies what a crisis is. It is chaos. There is no warning when it happens, and there are very few indicators for the different forms of businesses and groups worldwide. There are no limitations to how big or small crises are. The complexity and capriciousness of the current business environment can create crisis situations that impact organizations and their stakeholders (Choi & Kim, 1999; Lampel, Shamsie, and Shapira, 2009;
Snow, Miles, and Coleman, 1992). It is important for organizational leaders to understand why crisis situations occur. In addition, it is also very important to understand when a crisis situation will happen, how it will occur, what can be done to handle it, and the extent to which it can be prevented or its impact minimized. In order to better understand crises, organizational leaders have to be oriented toward the strategic management of crisis. In addition, they must be continually ready to change their management philosophies, decisions, and actions as they prepare to be socially responsible in their management of crisis situations (Rosenblatt, 2002).

This paper analyzes the strategic management of crisis in a conceptual paradigm and emphasizes two dimensions: (a) the factors which lead to crisis situations in organizations, i.e., factors identified by examining the internal and external environment of the organization and (b) the nature of the organizational crisis i.e., whether it is related to human actions, processes, technology, and/or economics. The paper also emphasizes how to strategically manage organizational crises and suggests strategies for crisis prevention and management.

MANAGING CRISSES: WHAT ORGANIZATIONAL LEADERS SHOULD KNOW

The first thing that managers should understand is that there are different perspectives on crises. According to Dayton (2004) there are two broad crisis perspectives—the operational perspective and the political-symbolic perspective. The operational perspective focuses on managing the crisis itself while the political-symbolic perspective includes a “map” of how managers and the rest of the team analyze crisis situations. Dayton (2004) suggests that many individuals in today’s workplace perceive far too many crises and subject themselves to torture when they handle complex problems. This is an interesting phenomenon because organizations typically have no meter of extremity that fundamentally determines what is truly a crisis situation or an event unless it is determined by the authorities.

“A true crisis occurs when the institutional structure of a social system experiences a relatively strong decline in legitimacy as its central service functions are impaired or suffer from overload” (Dayton, 2004: 168). When anticipating such a crisis, there needs to be predictive capability and scenario planning as well as an executable action plan (See Figure 1). There are some basic issues that organizational leaders need to consider in order to strategically manage crises: preparation, rapid decision making capability, and the extent to which crisis management and prevention have been integrated into the strategic management of the organization. A step in preparing for a crisis would be to consider whether the organization has the necessary resources. An integral part of managing a crisis situation would be to have a sufficient amount of manpower with the requisite skills. Then managers could make insightful decisions under enormous amounts of stress and uncertainty. Integrating crisis management within the strategic management of an organization is essential. In addition, organizational processes must be defined for the crisis action plan and would involve the expertise of a crisis manager to overcome a crisis situation and bring a sense of normalcy to an organization. In addition, processes and procedures must be put in place to prevent crises from recurring (Berge, 1991).
Mitroff (2008) noted that within his business model for strategic crisis management, there are seven types of major crisis families. Economic is the first family which includes events or situations such as strikes, market crashes, and shortage of labor opportunities. The second family is informational, where there is a loss of important information or organizational records, public or confidential. The third family is physical, which includes compromised major equipment, loss of suppliers or a major disruption at a key operating plant. The fourth family, human resources, could be the loss of a key executive or member of the team, vandalism, or workplace violence. The fifth family is reputational such as rumors and gossip which can hurt the reputation of the organization. The sixth family includes psychopathic acts, i.e., unthinkable acts such as terrorist attacks, kidnapping or even tampering with products. The seventh family, natural disasters, includes tornadoes, earthquakes, fire and flash floods (Mitroff, 2008).

If organizational leaders only consider one or two of these crisis families to be possibilities for their respective individual organizations, they potentially place their organizations at significant risk. It is their responsibility to consider all as possibilities for crises and have strategic and tactical plans in place so that a crisis could be rapidly resolved and prevented from recurring.

**A KALEIDOSCOPIC LOOK AT CRISIS MANAGEMENT**

Crises occur at every level in organizations, including the levels where teams play an integral role. Choi and Kim (1999) conducted a study to find out how crises affect the teams of an organization. They found that team level crises were often caused by external environmental factors rather than internal disturbances. These findings negated the notion that crises only impact the top managers of the company (Choi & Kim, 1999). Organizations are changing from traditional hierarchical work structures to team-based approaches to work (Holmes 2012). Organizational teams are exposed more directly to highly uncertain environments. As a result, in many cases, teams are now more at risk for a crisis than top executives. Therefore, it is very important to manage crises at team levels (Choi, Sung, and Kim, 2010).

There are two main types of coping strategies to deal organizational crises in teams. The first strategy focuses on how groups function together. This includes everything from handling situations to improving or formulating decisions together as one unit. Most organizational teams are either decision making teams or execution teams. The second coping strategy for organizational teams focuses on the behavioral aspect of the group which differentiates the internal and external activities and provides a balanced perspective on the possible set of crisis-coping activities for team activities (Choi & Kim, 1999).

Internal activities focus on the organizational teams at different levels in the organizations while external activities focus on macro-environmental forces (e.g., technology, economic, globalization, political, and legal) and the management of any relations with other individuals outside the group. Outside influences often play a role in the coping process of a crisis at any level of management. Some external factors that could influence the coping process could be the media (including social media) and surrounding businesses. If these factors are dealt with effectively and efficiently by organizational leaders, then the coping process becomes easier for
all levels of management within an organization. Team members must realize that when a crisis does occur, there needs to be an immediate response which includes the mobilization of resources to handle the crisis situation or event efficiently and effectively to ensure team success (Moon, Conlon, Humphrey, Quigley, Devers, and Nowakowski, 2003).

Crisis management is a leadership imperative involving people within and outside of an organization. Sullivan (1996) emphasized that it is an element of competition to be able to cooperate and communicate within teams, within each organization, with other organizations, with government agencies, with media, and with other groups.

The Role of Organizational Leaders

An Executable Crisis Management Plan

“Strategic leaders are responsible for the future of organizations” (Taneja, Pryor, and Humphreys, 2012). It is essential that managers consider the importance of integrating crisis management into the organization system. Pollard and Hotho (2006) suggested that scenario planning should be included as a part of crisis management plan. Scenario planning is essential when developing a Strategic Crisis Management Plan and an Executable Crisis Management Action Plan (See Figure 1). It is important to integrate crisis management into the strategic management of organizations because both depend on innovative and intuitive strategies which are also required in order for organizations to survive and flourish. The scenario planning process would include the evaluation of various trends and possibilities based on continuous change in the external environment due to macro-environmental forces. Organizational leaders also need to identify potential risk factors. Crisis management systems will help in effective decision making. Management of crises requires co-ordination of organizational processes, effective internal and external communications, and strong organizational leadership in the strategic crisis management of the organization (Pryor, Taneja, Alexander, Larkin, and Singleton, 2012).

In dealing with crises, organizations will depend on both the strategic plans and identification of potential crises. Therefore, it is important to understand the involvement of stakeholders (See Figure 1). To effectively and efficiently manage strategic crisis management, organizational leaders must depend on good communication with stakeholders. Managing communication during the period of crisis is a challenging task because of different strategic choices. As a result, the possibility of confrontation exists among organizational leaders and various other stakeholders (Thiessen & Ingenhoff, 2011).

Crisis situations may require tailor-made solutions depending on the type of situation. Crises involve the organization, the leaders, the stakeholders i.e., people you’re working with or who are affected by the crisis, and the social media that is an integral part of the organization. Organizational leaders need to be prepared for every different aspect in terms of how to handle the crisis and how to minimize its impact. It is only possible if they follow four keys of crisis communication: “speed, accuracy, credibility, and consistency” (Berge, 1991: 31).

Communication during and after Crisis
Communication is a key component to organizational success in dealing with crisis situations or events. The 2011 study conducted by Johansen, Aggerholm, and Frandsen (2012) found that “the vast majority of organizations have a crisis or contingency plan, and most of these plans contain an internal dimension relating to the management and communication with the internal stakeholders during a crisis (p. 270). Thus, the study shows rather professional and formalized behavior towards crisis management. One of the important challenges for the organization is to have proper communication within the organization i.e., in the internal environment of the organization. Many organizations routinely deal with crises and determine strategies to handle crisis situations. For example, “Northwest Airlines flight 255 investigation led the National Transportation Board to include a check of the takeoff warning system prior to departing the gate” (Ray, 1999: 122).

Transco, a French transportation company, had with issues of communication during a crisis management experience. Transco dealt with various modes of transportation (e.g., metro, bus, and tram). Transco had a crisis situation with which it had to deal in the aftermath of a collapsed tunnel underneath a school where they happened to be building a new metro line. Transco, like many other organizations, did not foresee crisis occurring and yet according to Acquier, Gand, and Szpirglas (2008), the management of the organization was successful in managing the crisis situation and were able to “handle a large number of emergent issues and stakeholders” (p. 102). Acquier, Gand, and Szpirglas (2008) noted that the organization had a communication crisis manager, the first person to react to the crisis situation and present during the first phase of crisis management which tends to be the most important phase. Acquier, Gand, and Szpirglas (2008) further argued that every organization has those key individuals who act as an anchor for the organization and without the proper communication with these individuals; a crisis cannot be resolved efficiently and effectively.

According to Johansen, Aggerholm, and Frandsen (2012), it is important to have the balancing act i.e., the greater interconnectedness between the organization and its end users (stakeholders or the final customers) to ensure a higher degree of engagement between both the parties. Johansen, Aggerholm, and Frandsen (2012) emphasized that it is essential for organizations to have their communication, compliance and investment teams work together in implementing a crisis management program. Stephens, Malone, and Bailey (2005) admonish that “an organization crisis forces an immediate decision or reaction, and thus provides an effective arena to study technical translation as a way to achieve uncertainty reduction” (p. 391). It is very important for the organizational leader to communicate with stakeholders during crises.

In some cases, leaders cause crises in their respective organizations such as Enron, Tyco, WorldCom, and Texaco (Ulmer, Seeger, and Sellnow, 2007). In those cases, it is even more important for other organization leaders and their followers to strive for organization renewal in chaotic crisis situations and events.

Deveney (2011) noted that weak leaders choose flight, and strong leaders fight using basic crisis communication tactics. But the strongest leaders don’t stop at the basics. They grow and innovate in every situation—even in a crisis. Deveney (2011) emphasized the following: “When creating
a crisis communication plan, practitioners must be Quick, be Candid, place everything in Context and remain Consistent” (p.14).

According to the 2011 Crisis Preparedness Study released by Burson-Marsteller and market research and consulting firm, Penn Schoen Berland, “79 percent of business leaders said that they expect to face a crisis within the next 12 months” (p. 11). It was further discussed in the report that despite recognizing the importance of digital media, only half of these leaders understand who their online stakeholders are and how to engage with them. Burson-Marsteller Chief Global Digital Strategist, Dallas Lawrence (2011) said “We are now all in the business of crisis management”. Therefore, the big question is why aren't organizations using digital media for reputation management and crisis communications? The survey also noted that the main problem is an institutional lack of experience and knowledge of how to engage online in real time. Lawrence (2011) offered the following tips for organizational leaders who want to close the gap:

- Develop a social media crisis plan.
- Regularly test your social media crisis plan.
- Develop and publish an employee social media policy.
- Provide employee social media training.
- Monitor your own social media reputation.

STRATEGIC CRISIS MANAGEMENT PLAN: EXPECTED RESULTS

A properly executed efficient and effective strategic crisis management plan can lead to organization renewal, stability, and growth after crisis situations and events. The strategic Crisis Management Model in Figure 1 depicts the required elements of a strategic crisis management plan as well as their impact on each other and the overall results of a plan that is efficiently and effectively implemented. The elements include scenario planning, executable crisis management action plans, the role of organizational leaders and empowered stakeholders, the necessity for organizational resources and processes that are readily accessible for use as needed, and communication capabilities and utilization, including social media. The desired results are (1) organizational renewal and stability and (2) prevention of crisis recurrence.

Organization renewal is based upon continually renewing an organization’s objectives, strategies, stakeholders, and the processes of top management teams as well (Ulmer & Sellnow, 2002). Organizations must experience continuous renewal as a stability factor as well as episodic change as they react to various crisis situations, events, and disruptions (Taneja, Pryor, and Humphreys, 2012). Renewal should involve rebuilding of confidence for employees and stakeholders in the organization following any crisis to reestablish an organization’s image and reputation.

CONCLUSION

The potential for crises to develop and escalate is greater than ever because of the global interconnectedness of organizations. As a result, crisis preparation is becoming an increasingly
important issue as organizational leaders seek to prevent, or effectively cope with, impending crises. At no point should an organization be left unprotected from a crisis that could have been avoided. Every organization should have procedures and action plans established for crisis prevention and crisis management, whether the crisis situations or events are economic, political, structural or environmental. It is essential that organizational leaders adopt a strategic crisis management model such as that depicted in Figure 1 and ensure that all employees understand, and are able to deploy, crisis action plans and procedures that are an integral part of the organization’s strategic crisis management plan.

**RECOMMENDATIONS**

The following recommendations include clarification of items from the Strategic Crisis Management Model presented in Figure 1.

1. Organizations should utilize a strategic crisis management plan which includes the following relevant items:
   - A formal crisis management system with pre-tested and reviewed actions plan so that crisis management is properly integrated into the strategic management of the organization;
   - Involvement of organizational leaders from all functional areas so as to include specializations in the crisis management team;
   - Identification of possible events or scenarios which may lead to crisis situations and their probable impact on the organization;
   - Identification of key processes, resources, organizational leaders, stakeholders, and strategic choices in overcoming crisis situations;
   - A continuously, updated and evaluated execution plan which matches the organization’s values.

2. Employees need to be empowered and prepared for crisis situations and events.
   - They should knowledgeable and able to act and utilize available organizational resources.
   - They should be able to utilize human, social media, and other communication skills to convey the organization’s message during times of crisis.
   - They should exercise strong leadership to assist in managing crisis situations and events and preventing them from recurring.

3. Efforts should be made to engage stakeholders in the handling of crises. This includes:
   - Understanding the online stakeholders and handling the media.
   - Engaging and monitoring social media.
   - Including stakeholders as an integral part of executable crisis management action plans.
4. Companies should hold crisis management training sessions so that executives, team leaders, and all employees are aware of protocols, procedures, and action plans to deploy when there is an impending crisis.

REFERENCES


Figure 1: Strategic Crisis Management Model

- **Impact**: Potential Risk Factors
- **Organizational Crisis**
- **Internal & External Communication**
- **Role of Organizational Leaders**
- **Crisis Communication Strategies**
- **Executable Crisis Management Action Plan**
- **Empowered Stakeholders**

**Strategic Crisis Management Plan**
- Decisions and Actions
- Internal Processes
- Organizational Resources

**Social Media**
**Preparation**
**Internal and External Environment (Micro- and Macro-Environmental Forces)**
SOCIAL CONTRACT THEORY AND ORGANIZATION DEVELOPMENT: A PHILOSOPHICAL REVIEW
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ABSTRACT

This paper involves early philosophical viewpoints and social contract theory to support and better understand the early contributors and roots of Organization Development (OD). Although numerous studies exist on the fundamental OD beliefs and underpinnings specific to contemporary management; no exploration of OD specific to historical philosophers and social contracts has been undertaken.

We begin with an exploration of world renowned philosophers, followed by an overview of Social Contract Theory. We then address Organization Development specific to its values and beliefs, as created by early management and OD theorists such as Frederick Taylor, Kurt Lewin, Abraham Maslow, and Douglas McGregor.

Our findings indicate that just as Socrates and Plato were concerned about the nature of man and the role man plays in society (work), that OD predecessors Lewin and McGregor also discuss various attitudes towards workplace motivation (OD). As workers and employers are both equally culpable of violating the values of rationality as per Frederick Taylor and Thomas Hobbes, so too does man possess the capability to solve problems, but their talents are often underused within organizations. Further, a worker left to his own accord will naturally be aspired to give his best effort, as per Douglas McGregor (1967).

Views/concerns of the early philosophers, social contract theory, and contemporary OD theorists align, in that they view man’s need for consent and need for motivation at work. Further, if man’s desire and commitment to work is not recognized by superiors, organizations will suffer and experience lack of motivation and turnover more frequently.

Keywords: Organizational Development, Philosophy, OD Values, Lewin and McGregor

INTRODUCTION

Human nature, personal liberty and motivation have been complex topics of study since man has contemplated philosophy. Over time, research has focused a great deal on man as a manager, leader, and authority figure, from ancient tribal leaders to the most powerful chief executive officers in the world today. Coinciding with this area of research, many great minds continue to work toward understanding the factors that contribute to employee satisfaction and productivity in the work place.

The roots of man’s nature and the most efficient manner in which he might be ruled or managed have played a significant role in the evolution of Organization Development (OD). While Douglas McGregor contributed significant work to the subject of human nature and styles of management, as did Abraham Maslow and Frederick Taylor (via Weisbord), the question has

3 The term “Man” will be used throughout this paper as a non-gender specific reference to human beings.
truly been burning in philosophical thought for as long as man has penciled essays on reason. As such, a review and contrast of political and social philosophy can serve to establish the roots of OD as a science.

Building upon the definition of Organization Development, (Cummings & Worley, 2009), OD is based on (1) a set of values, largely humanistic; (2) application of the behavioral sciences; and (3) open systems theory. Organization Development is a system wide process of planned change aimed toward improving overall organization effectiveness by way of enhanced congruence of such key organization dimensions as external environment, mission, strategy, leadership, culture, structure, information and rewards systems and work policies and procedures (Bradford & Burke, 2005).

The field of OD rests on a foundation of values and assumptions about people and organizations; therefore, values have played an important role in OD from its beginning. This set of values, assumptions, and beliefs constitutes an integral part of OD, shaping the goals and methods of the field and distinguishing OD from other improvement strategies. Most of these beliefs were formulated early in the development of the field and they continue to evolve as the field itself evolves (French & Bell, 1999). These fundamental values of OD are what distinguish it from other disciplines. According to OD experts Warren Bennis and Edgar Schein, these values include democracy, a matter of choice, and a spirit of inquiry that includes checking the validity of one's assumptions, and experimentalism (1967).

Organization Development at its most basic level is a collection of systems to improve the overall efficiency of business operations. The fundamental building block of any organization is the individual human being. Organizations are, by their very nature, political entities in that there is a natural hierarchy of management. Therefore, and with appreciation to myriad cultural identities, one starting point for a review of OD should be an answer to the question: what is the most efficient manner of which human beings should be managed or governed? To understand this governance fully, one must first understand the nature of man. But the explication of the notion of human nature, what it is to be human, is as difficult a problem man has encountered.

It is not obvious as to what kind of answer would satisfy the question of what it is to be human. Human nature for this discussion, refers to characteristics, including ways of thinking, feeling, and acting that humans have.

Understanding human nature is a fundamental concept to understand how organizations function, whether they are profit-making firms, non-profit enterprises, or government agencies. There is much debate between managers, scientists, policy makers, OD practitioners, and citizens that arise from substantial differences in the way we think about human nature – about man’s strengths, frailties, intelligence, ignorance, honesty, selfishness, and generosity (Hume, 2007). The questions of what these characteristics are, what causes them, how this causation works, and how fixed human nature is, are amongst the oldest and most important questions in western philosophy (Strauss, 1953). However, there is indeed universal thought in man, and in order to highlight this, the nature of man must be viewed universally.

The field of OD continues to grow and expand, as do organizations both nationally and internationally. But as described above, OD remains grounded in the basic theories and concepts of human nature. Overall, OD captures the ideology that in order for man to be happy and
productive in life, he must be given input into decision making and strategy. In an effort to aid in the greater understanding of these philosophical concepts, eastern and western schools of thought will be presented in their connection to OD concepts and theories that are prevalent today.

LITERATURE: ORGANIZATION DEVELOPMENT & PHILOSOPHY

While countless case studies of Organization Development exist, currently there is no research intersecting OD and social contract theory. A close area is the narrow topic of multicultural OD which involves social and cultural representation of perspectives, world views, lifestyles, language and management styles – excluding social contract theory.

Research involving OD and world philosophies and religions have included ‘Creating Spirit at work: Re-visioning organization development and leadership’ (Cacioppe, 2000); ‘The Shamanic Perspective on Organizational Change and Development’ (Frost, Egri, 1994); ‘Informing an apparent irony in OD applications: good fit of OD and Confucian work ethics’ (Golembiewski, 2005); ‘Human resource management practices on organizational commitment. The Islamic perspective’ (Hashim, 2010); ‘Is there a new OD?’(Marshak, 2005); ‘Ubuntu as a Cultural Strategy for OD and Change in Sub-Saharan Africa’ (Sulamoyo, 2010); and ‘Reflections on a Cross-Cultural Partnership in Multicultural Organizational Development Efforts’ (Ramos & Chesler, 2010). However, no article involved more than a ‘uni’ or single approach to a philosophy or belief. These literature findings support the need for investigating the link between world philosophies, social contract theory and Organization Development.

Eastern Philosophy and Human Nature

Concepts developed from Eastern thought have emerged in the understanding of human behavior and nature, contributing to the advancement of the field of OD and the knowledge of the individual as a facet of the organization. Known as China’s most famous teacher, philosopher, and political theorist, Confucius’ ideas and writings have inspired and influenced the civilizations in Eastern Asia, and continue to do so today.

Confucius, was a high civil servant in China around the time of 500 BC. Known for his wisdom, he was always surrounded by a host of disciples who recorded what we know of his teachings. He thus held a position very similar to that of the Greek philosopher Socrates, who lived just 80 years later. Confucius’ teachings are lessons in practical ethics without any religious content; Confucianism is not a religion but a set of pragmatic rules for daily life, derived from what Confucius saw as the lessons of Chinese history. He lived during a time of extreme corruption in government; he noticed that China’s ruling class took advantage of the people they governed, imposing heavy taxes to support their luxurious lifestyles. Confucius had faith in the possibility of ordinary human beings becoming inspiring sages and insisted that human beings are teachable, improvable, and perfectible through personal endeavor. His thoughts surrounded the topics of being and knowing, his philosophy was centered on acting right, but none of this was important as one’s relationship with other people and the world (Lau, 1998). Confucius believed people should act in accordance with “the Way,” which is the harmonious unfolding of life, especially social life. Human actions fit in with society depending on what everyone else is doing. If one is in harmony with the rest of society then they are moral actions, and one is a good
person (Munro, 1969). Confucianism, the philosophy based on Confucius’ work, is characterized by a highly optimistic view of human nature. The faith in the possibility of ordinary human beings to become awe-inspiring sages and worthies is deeply rooted in the Confucian heritage.

Confucius believed that humans were eager to learn because of the extreme differences in wealth between the few rulers of China and vast population. As most people lived with very little to rely on, the poorer people did not respect the rulers of China and life was known to be miserable. Although Confucius made no direct statement on human nature, most have found that Confucius taught explicitly that all things, including human nature, are “properly and naturally...good, and it was only by perversion that they became evil” (Dubs, 1930, p. 234).

Greek Philosophy and Human Nature

To fully embrace this universal understanding of human nature, a look at the ultimate origin of the nature of man must be understood as it evolved from Western philosophy. The study of human nature originated with Socrates, who turned philosophy from the study of heavens to the study of the human things (Ross, 1953). Socrates, also known as the Father of Western Philosophy, was the first person to study the question of how a person should best live, but he left no written works. The works of one of his most famous students, Plato, stated that Socrates was a rationalist and believed the best in life, and the life most suited to human nature, involved reasoning (Allen, 2006).

In Plato’s *Alcibiades I*, a conversation occurs between Socrates and Alcibiades. Alcibiades is described as an ambitious young man who is eager to enter public life. He is extremely proud of his good looks, noble birth, many friends, possessions, and his connections to the leader of the Athenian state. Although Alcibiades has many admirers, they have all run away, afraid of his coldness. It is within this conversation that Socrates provokes thoughts in Alcibiades’ mind. As Socrates is explaining to Alcibiades how to know himself, Alcibiades is actually doing just that. This conversation allows both men to look into each other’s souls and cultivate their self knowledge by mutually learning from one another. Socrates explains that truly knowing oneself is a long and difficult process, but is necessary in order for one to care for oneself. This dialogue teaches humanity an important lesson about how to live life. If one does not genuinely know oneself, one cannot be capable of caring for his own soul, no matter how well he may care for his body and belongings. Cultivation of wisdom and knowledge is the key to self preservation (Johnson, 2003).

Plato’s writings teach an important lesson about Socrates’ preferences towards the governance of man; “From this day forward, I must and will follow you as you have followed me; I will be the disciple, and you shall be my master” proclaims Alcibiades (Johnson, 2003, p. 145). Socrates is there to build on Alcibiades character because he believes that only the virtuous has the right to govern. Tyrannical power should not be the aim of individuals but people accepted to be commanded by a superior. Socrates stressed that “virtue was the most valuable of all possessions; the ideal life was spent in search of the Good. Truth lies beneath the shadows of existence, and it are the job of the philosopher to show the rest how little they really know.” (Blondell, 2002, p. 17). He stressed that philosophers were the only type of person suitable to govern others.
Plato later expands on Socrates’ views, in *The Republic* he states that societies have a tripartite class structure corresponding to the spirit and structure of the individual soul. The body parts represent the castes of society:

- **Productive, which represents the abdomen; this is the workers of society – the laborers, carpenters, plumbers, masons, merchants, etc., correspond to the appetite of the soul.**

- **Protective, which represents the chest; this represents the warrior or guardians – those who are adventurous, strong, and brave; often in the military. These correspond to the spirit part of the soul.**

- **Governing, which represents the head; the rulers, philosophers, or kings – those who are intelligent, rational, self-controlled, in love with wisdom, well suited to make decisions for the community. These correspond to the reason part of the soul**” (Bloom, 1968, p. 58).

Within these classifications, a discussion of man’s nature and potential for leadership appears. Plato further supports these thoughts with the analogies that ‘not all men are qualified to sail ships, or practice medicine’. Plato then proceeds to imagine an ideal city of citizens, destined to inspire the citizen’s souls; the will, reasons, and desires combined in the human body. An image is then formed of a rightly ordered human; one that has love for wisdom and the courage to act according to wisdom. Wisdom is the knowledge about the good or the right relations between all that exists (Bloom, 1968).

These initial concerns from Plato regarding states and rulers prompt him to make very interesting arguments. He asks which is better – a bad democracy or a country reigned by a tyrant? Plato argues that it is better to be ruled by a bad tyrant than by a bad democracy. A bad democracy is worse in Plato’s eyes because a democracy consists of all the people being responsible for actions, rather than one individual committing multiple bad deeds. Plato’s defining conclusion comes when he claims that a state made up of different souls will decline from aristocracy to a timocracy, then to an oligarchy, and finally to a tyranny (Allen, 2006, p. 282).

Socrates, and his student Plato, were among the first to have the discussions about the nature of man and the role man plays in society. These writings and discussions prompt questions that have been the oldest and most important questions in Western philosophy. But within these works are the beginnings of social contract. Social contract is an intellectual device intended to explain the appropriate relationship between individuals and their governments (Dunn, 2002).

**SOCIAL CONTRACT THEORY & ORGANIZATIONAL RULES**
Social contract theory is an agreement among the members of an organized society or between the governed and the government defining and limiting the rights and duties of each. According to social contract theory, “morality consists in the set of rules governing behavior that rational people would accept, on the condition that others accept them as well.” (Rachels, 2002, p. 145)

In Social Contract Theory (SCT), it is claimed that, “the state exists to enforce the rules necessary for social living, while morality consists in the whole set of rules that facilitate social living” (Rachels, 2002, p. 144). Thus, government is needed to enforce the basic rules of social living, while morality may encompass some rules that are important for social living but are outside the scope of the state.

At extremes of the discussion of the fundamental nature of man and social contract theories were several philosophers, most notably Thomas Hobbes, John Locke, and Jean Jacque Rousseau. All wrote extensively on the manner in which man should be governed and function in society.

Thomas Hobbes

Hobbes believed that man in his natural state was in a war against all others and thus he led a life that was: “solitary, poor, nasty, brutish and short” (Hobbes, 1986/1651). As a result of this existence, man should, by necessity, be ruled in an authoritarian manner, the most appealing of which was the Benevolent Dictator who would offer the shield of physical protection against his neighbors thereby allowing him to act in concern for “the common peace and safetie. (sp)”

Hobbes believed that individuals came together and ceded their rights. For example, Hobbes demonstrated this with, “I won’t kill you if you do not kill me.” He believed that society grew out of this establishment to protect these societal interactions, but this new society was anarchic and without leadership. As these new societies grew, they would form sovereign states; however, these sovereign states were like man (Rogow, 1986). Without leadership, these sovereign states had no ruling body to implement social contract laws.

John Locke

Hobbe’s beliefs about human nature in comparison to that of his English countryman, John Locke, published approximately 40 years later, were fundamentally different. Locke had a milder view of the state of nature, and advocated a state limited by respect for individual rights.

Writing post Revolution of 1688, admittedly something that Hobbes never considered at the time of his publishing, Locke wrote that human nature is characterized by reason and tolerance and that left in their natural state men were equal and tolerant and therefore had “the inalienable (from God) right to life, liberty and the pursuit of happiness” (Locke, 1690). It is in man’s best interest to thereby establish a “Social Contract” where his consent to be governed would be established. This “consent” was Locke’s true brilliance. Man had the right and/or the duty to throw off the chains of tyranny should they become burdensome. Rather than man acting as his own judge, jury and executioner – as was Hobbe’s perspectives – the government acts as an impartial agent of self-defense.
Understanding Hobbes’ and Locke’s thoughts on the nature of man and their governance contributes to knowledge of how these and the works of Confucius, Socrates, Plato, provide the roots of Organization Development. Douglas McGregor’s Theory X and Theory Y have provided different attitudes towards workplace motivation within OD. Looking at Locke’s works and Hobbe’s works in relation with McGregor’s’ and Taylor’s, there are multiple similarities that can be traced to show philosophical roots in OD.

PHILOSOPHICAL ROOTS OF ORGANIZATION DEVELOPMENT

In an effort to align early philosophers’ thoughts with contemporary management philosophy and OD, a review of OD contributors Frederick Taylor, Kurt Lewin, and Douglas McGregor follows.

Frederick Taylor

Frederick Taylor was the founder of the Scientific Management Movement in the early 20th century. Two primary questions occupied his mind: How could industrial productivity be increased, and how could an equitable distribution of its material benefits be achieved? He found answers to these questions by applying engineering and economic principles to management and organizations in the form of a generalized rule of minimizing inputs and maximizing outputs through empirically verifiable techniques. This was the basis of scientific rationality which is embodied in the theory of scientific management (Kakar, 1970). Taylor’s theories of scientific management contributed to the building blocks of OD, and remain key to many principles and developments of the field today.

This rule of rationality is beneficial for developing countries. Countries that are struggling to industrialize, to gather venture capital, and to improve the material welfare of its citizens, were all recognized by Taylor. Seeing these issues, and being dedicated to rational behavior as the means for solving these issues, was Taylor’s answer. He viewed antirational acts as a consummate evil. However, Taylor was also devoted to the notion that if man were given a chance, he would do all he could to confound rational principles. Taylor found throughout industry behavior that not only thwarted rational behaviors, but industry also caused financial loss for all parties. This behavior was an evil that Taylor described as, “soldiering.” The behavior was rooted in two causes: it was the natural instinct of man and the collective restriction of output that was a natural consequence of men joined in a common task. Taylor wrote:

*The natural laziness of men is serious, but by far the greatest evil from which both workmen and employers are suffering is the systematic soldiering which is almost universal under all the ordinary schemes of management ...* (Taylor, 1967, 1911, p. 20-21)

Taylor further stated:

*It is not claimed that any single panacea exists for all the troubles of the working people or employers as long as some people are born lazy or inefficient, and others are born greedy and brutal, or as long as crimes are with us...* (Taylor, 1967, 1911, p. 29)
Taylor believed that workers and employers were both equally culpable in violating the values of rationality. Workers often loafed, but managers flopped too; they failed to provide incentives for work and efficient means to do work. If workers were naturally lazy, then managers were naturally lazy at managing their workers. In Taylor’s mind it was a frailty of mankind (Kakar, 1970).

To prevent these issues, Taylor recommended imposing an administration system on employers and employees which would redirect them from their evil and perverse ways. Taylor believed man could address needs through his intelligence. But in order to achieve, man had to be shown the way; he had to be led out of his state of ignorance; he had to be dissuaded against his superstitious work and management practices; and he had to be taught that science was the means to achieve more. All of this required discipline (David, 2002).

Discipline was the responsibility of the managers who ran society’s organizations. First they must instill discipline upon themselves, and then onto others. (Taylor, 1911/1967). Managers had the right and the obligation to lead society from the antirational vestiges of its preindustrial experience. Using scientific management – the essence of which was centralized by scientific elite – involved the concentration of power in executives who were dedicated to the principles of scientific management, and the maximum use of all employees’ specialized skills (David, 2002).

Given these images of man, Hobbes and Taylor, their view of social evolution, the modes of organization, and government recommended by them both; Hobbes and Taylor endorsed autocracy. Both of these men saw the necessity to concentrate authority in common power in order to overcome the inherent evil in man’s nature. Hobbes believed mankind would be afflicted by fear, violence, brutality, impoverishment, and nastiness. For Taylor, society would be inefficient, poor, uncertain, underdeveloped, and irrational. These two men believed that the strong advantages of a central rule would compensate for the loss of liberty. Maximum control, constantly applied, was needed to stop predatory man.

Kurt Lewin

Kurt Lewin (1890-1947) was a German-American psychologist known as one of the modern pioneers of social, organization and applied psychology. He is often recognized as the founder of social psychology and was one of the first to study group dynamics and organization development. Lewin was a predecessor to Organization Development thought and values.

Lewin held a civic concern. He was a socially conscious individual who believed that only science provides dependable guides to effective action and wanted his labor to be of maximum social usefulness as well as theoretical significance (Marrow, 1969, p. 230).

Lewin had a basic concern about Man and work. In his 1920 essay, “Humanization of the Taylor System: An Inquiry into the Fundamental Psychology of Work and Vocation,” Lewin accepted the idea that scientific management raised output, but he insisted that work needed life value. He stated, “The worker wants to work to be rich, wide, and Protean, not crippling and narrow. Work should not limit personal potential but develop it. Work can involve love, beauty, and the soaring joy of creating. Progress, in that case, does not mean shortening the workday, but an increase in the human value of work.” (Papanek, 1973, p. 318).
In Lewin’s own research, *Frontiers in Group Dynamics*, he expressed this democratic concern, even for management when he stated, “Today, more than ever before, democracy depends upon the development of efficient forms of democratic social management and upon the spreading of the skill in such management to the common man.” (Lewin, 1947, p. 153, emphasis added).

Finally, in 1945, he stated: “There is no individual who does not try to influence his family, friends, his occupational group, and so on. Management is one of the most important functions in every aspect of social life. Few aspects are as much befogged as the problems of leadership and of power in a democracy. We have to realize that power itself is an essential aspect of any and every group … Not the least service which social research can do for society is to attain better insight into the legitimate and non-legitimate aspects of power.” (Lewin, 1945, p. 132).

**Douglas McGregor**

Douglas McGregor’s Theory X and Theory Y showed the concept that companies followed in their approach of motivating their workforce. McGregor believed that a worker’s key to connecting self-actualization with work is determined by the managerial trust of subordinates. In McGregor’s Theory X, he states that:

- *The average man is by nature indolent – he works as little as possible.*
- *He lacks ambitions, dislikes responsibility, and prefers to be led.*
- *He is inherently self-centered, indifferent to organizational needs.*
- *He is by nature resistant to change.*
- *He is gullible, and very bright, the ready dupe of the charlatan and the demagogue.* (McGregor, 1966, p. 7)

Within these writings, there exists a direct relation to Hobbe’s *Leviathan*. McGregor states, “The human side of economic enterprise today is fashioned from propositions and beliefs such as these” (McGregor, 1960, p. 72). These beliefs are comparable to the writings of Hobbes, as Hobbes believed that authoritarian political forms of governance were necessary to protect man from himself. McGregor’s Theory X aligns with Hobbes’ and Taylor’s belief that firm control is necessary.

McGregor’s major contribution to the field of management, *The Human Side of Enterprise* (1960), was written during a time when the human relations movement in management was waning but before industrial humanism took shape. McGregor’s Theory Y assumes employees may be ambitious and self-motivated while simultaneously exercising self-control. McGregor stated:

- It is believed that employees enjoy their mental and physical work duties. Man possesses the capability to solve problems, but their talents are often underused within organizations. A worker left to his own accord will naturally be aspired to give his best effort (McGregor, 1967).

A Theory Y manager believes that given the right conditions, most people will want to do well at work. They believe that the satisfaction of doing great work is all the motivation that humans
need to succeed in business. A defining statement in McGregor’s works was that institutions often repressed man’s natural desires to work effectively and to gain satisfaction from it.

**Figure 1. McGregor’s Theory X and Theory Y Styles of Management**

<table>
<thead>
<tr>
<th>Theory X</th>
<th>Theory Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conventional Conception</td>
<td>Management is responsible for organizing the elements of productive enterprise – money, materials, equipment, people – in the interest of economic ends</td>
</tr>
<tr>
<td>Management is responsible for organizing the elements of productive enterprise – money, materials, equipment, people – in the interest of economic ends</td>
<td>People are not by nature passive or resistant to organizational needs. They have become so as a result of experience in organizations</td>
</tr>
<tr>
<td>With respect to people, this is a process of directing their efforts, motivating them, controlling their actions, modifying their behavior to fit the needs of the organization</td>
<td>The motivation, the potential for development, the capacity for assuming responsibility, the readiness to direct behavior toward organizational goals are all present in people. It is a responsibility of management to make it possible for people to recognize and develop these human characteristics themselves</td>
</tr>
<tr>
<td>Without this active intervention by management, people would be passive – even resistant – to organizational needs. They must therefore, be persuaded, rewarded, punished, controlled – their activities must be directed</td>
<td>The essential task of management is to arrange organizational conditions and methods of operation so that people can achieve their own goals best by directing their own efforts toward organizational objectives</td>
</tr>
</tbody>
</table>

When maximum control and order were in place at institutions, it stifled man’s development. Maximum control and order prevented a man from maturing psychologically, from exercising his potential for reason, and from being creative. In Theory X environments, man is in protest against the unnatural environment of the institution (McGregor, 1967).

McGregor’s writings demonstrated the “Carrot and Stick” theory of motivation:

- Works well under certain circumstances
- Management can provide and withhold satisfaction of a man’s physiological and safety needs, within limits. By this means, the individual can be controlled so long as he is struggling for subsistence

- However, once man has reached an adequate subsistence level, he is motivated by higher needs – self-respect, self-fulfillment, respect of his fellows (McGregor, 1960, p.41).
Within McGregor’s Theory Y concepts, similarities can be drawn to Jean Jacque Rousseau’s writings. Rousseau (1712-1778), believed that in the state of nature man was born with an innate predisposition toward self-preservation, mitigated by a compassion for all other men. In natural order, men were tied together by their compassionate recognition of a common humanity. Rousseau found it odd that man would trade “Eden” for the “human zoo.” As man came together, he believed that society bred deceit, criminality, and war, but these evils were not the fault of man, the lost compassion of man was lodged in institutions which were thought necessary for well-being (Dunn, 2002).

Rousseau like McGregor’s Theory Y, espoused that institutions of control should be minimized so man’s innate compassion could be released. Rousseau felt that man’s emotions were freed from the restraints of antiquated organizational forms, and when these emotions were freed man could truly use reason to reconstruct organizations that permit honesty and authenticity in human relationships (Rousseau & Cole, 1950). Without a maximum control environment, man had the ability to free his mind and find true satisfaction within his work.

Karl Marx on Forced Labor and Man’s Needs

Karl Marx’s *Estranged Labor* was a piece that he wrote for himself in 1844. In *Estranged Labor*, Marx discusses the reducing of the worker from his product and the worker’s self from the product he is making. A worker becomes the slave of his product; he becomes an alien to the manufactured goods that result from his labor. With the constant production of the same thing over and over, a worker loses the bounty of the good because he does not own what he is producing due to the monotony and loss of oneself.

Everything the worker makes in the factory by pulling a lever contributes to the world outside of him, but not to the worker himself. Marx states this by saying, “the more the worker by his labor appropriates the external world, hence sensuous nature, the more he deprives himself of means of life” (Marx & Milligan, 1988, p. 190). This excerpt shows that the labor produced by the worker can bring great things to the world, yet it can bring nothing to the man producing it. In some cases it can lead to injury and idiocy to the worker.

Since the worker is not doing these things voluntary he is being forced into labor. The labor does not belong to him, but to someone else. The laborer does not feel free at work but rather when he is doing his animal functions. He can only feel himself when he is doing these functions: “Man only feels himself freely active in his animal functions-eating, drinking, procreating or at most in his dwellings.” (Marx & Milligan, 1988, p. 111). The worker never has the opportunity to put heart into the product he is making. The production of an item that belongs to someone else results as a loss of himself; indeed it is the reduction of a worker.

Marx theorized that when the Industrial Revolution began, workers estranged themselves and alienation occurred within the outside world where the worker resided. The work was tough, injury often occurred, and man reverted back to his animalistic self. The work did not spontaneously occur inside the worker as a natural act, but was forced. The work existed outside of the man and resulted in a loss of his self. Marx’s professed that man does not garner self-actualization from his work during the industrial revolution (Fromm, 1966).

Abraham Maslow

In 1943, Abraham Maslow wrote *A Theory of Human Motivation*. It is within this piece of work that he first presented his theory on the essential needs of man. The Hierarchy of Needs,
in various forms, has been theorized numerous times since. Maslow demonstrated that man will
do whatever is required of him to meet his base needs. His theorem is proven by man’s
willingness to endure what we know to be near intolerable working conditions in order to bring
home a compensation to care for his needs and the needs of his family. In newer models based
on the work of Maslow, there is increasingly more weight given to fulfilling needs in the higher
end of the Hierarch; that recent trends in job portability seem to bear out these models (Head,
2007).

DISCUSSION

It is not a uniquely Western concept that freedoms and consent be afforded man in his
everyday life or work-life. While cultures may be categorized and have multivariate
distinguishing characteristics with regard to their relative views on leadership; whether the
culture be linear-active, multi-active or reactive (Lewis, 2010), it is a universal trait of man to
desire implicit consent while being managed (Barry 1991).

This raises the issue of consent to organizational structure, as discussing philosophy and
the nature of man has shown that man in the state of nature desires input and consent in his fate.
So how does this pertain to life inside organizations? Organizational hierarchies and
management systems evolved from governments and military command and control structures
(Freeland, 1996; Chandler, 1962). Political philosophy can serve to ground organizational
theory and leadership structures.

An organizational structure is composed of activities such as task allocation, coordination
and supervision, which are directed towards the achievement of organizational aims or goals
(Pugh, 1997), but organizations often affect action in two ways. First, structure provides the
foundation on which the organization’s standard operating procedures and routines rest; and
second, it determines which individuals get to participate in certain decision-making processes,
and to what extent their views shape the organization’s actions (Jacobides, 2007). Organizational
structures have risen from royal and clerical power structures, to industrial structures, and into
today’s post-industrial structures. These hierarchical organizations consist of a single/group of
power at the top with subsequent levels of power beneath them (Powell, 1988). Most of today’s
corporations, governments, and organized religions are hierarchical organizations. The
fundamental political nature of man governs his interactions within these structures.

CONCLUSION

Early theorists of organizational structure saw “the importance of structure for
effectiveness and efficiency and assumed without the slightest question that whatever structure
was needed, people could fashion accordingly” (Mohr, 1982, p. 102). Yet knowing man’s nature,
and knowing that most organizations are hierarchical, this statement has not been historically
true. Leaders often struggle over what is the right thing to do for their firms and what is the right
way of doing it. These struggles consist of powerful people trying to persuade other powerful
about what is right to do (Freeland, 2001).
Understanding that McGregor’s work built on Maslow’s concept of motivation and rewards,
stating:

“By making possible the satisfaction of low-level needs, management has deprived
itself of the ability to use as motivators the devices on which conventional theory has
taught it to rely – rewards, promises, incentives, or threats and other coercive devices” (McGregor, 1957).

Most, if not all, organizations are not of a pure hierarchical structure; many managers are still blind-sided to the existence of the community structure within their organizations (Butler, 1986). Businesses are no longer a place where people come to slave at work as in Marx’s *Estranged Labor*. Businesses confer on their employees a sense of belonging and identity – businesses have become their community (Stacey, 1974). Businesses of the 21st century are not just a hierarchy which ensures maximum efficiency and profit; they are also the community where people belong to and grow together – where their affective and innovative needs are met (Lim, Griffiths, & Sambrook, 2010).

We are reminded by contemporary OD scholar Edgar Schein that Douglas McGregor believed that people needed the freedom of choice. Schein stated:

“The essence of [McGregor's] message is that people react not to an objective world, but to a world fashioned out of their own perceptions, assumptions and theories about what the world is like…Once we become aware we can choose—and it was the process of free choice that we believe was Doug's ultimate value.”

Edgar Schein, in McGregor, Bennis & McGregor (1967, p. xii)

As organizations are stuck in their hierarchical structures, leadership does not represent the “body” of their business, their employees. Understanding the structure of organizations indicates that they are not set up for man to have input and consent in his own fate. Could it be that employees are so willing to seek out higher end needs that they may simultaneously be willing to forego the need of job security that is housed in Maslow’s lower hierarchical need of safety? Or perhaps workers are increasingly seeking organizations that provide leadership and managerial styles that fulfill their higher end needs for esteem and self-actualization. Yet others claim that a company or manager’s only commitment is to maximize profits for shareholders or to serving your own self-interest, and therefore any kind of business ethics that reaches beyond these minimal loyalties is obsolete.

This exploration of world renowned philosophers, followed by an overview of Social Contract Theory, provided the knowledge to investigate contemporary OD beliefs and philosophies. Through the lens of social contract theory, we provide the understanding of members of an organized society and the limitations imposed by management to workers. Findings indicate that just as Socrates, Plato and Confucius were concerned about the nature of man and the role man plays in society (work), that OD predecessors Taylor, Lewin and McGregor extend and further these beliefs towards workplace motivation. As workers and employers are both equally culpable of violating the values of rationality as per Frederick Taylor and Thomas Hobbes, so too does man possess the capability to solve problems, but their talents are often underused within organizations. Further, a worker left to his own accord will naturally be aspired to give his best effort, as per Douglas McGregor (1967). These findings provide a better understanding that, as described in OD theory, employees desired to be satisfied and productive in the workplace, that man wants to provide input at work, and that man should enjoy work (McGregor, 1967).
REFERENCES


MANAGING HEALTHCARE ALLIANCE PORTFOLIOS: A THEORY-BASED TYPOLOGY

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ABSTRACT

Healthcare organizations are increasingly facing environmental uncertainty leading them to manage their portfolio of alliances in order to achieve efficiency and industry competitiveness. The purpose of this paper is to develop a framework that explains how effective management of individual dyadic relationships and overall alliance portfolios is important for establishing a competitive strategic position within the healthcare industry. Towards that end, we first utilize resource dependence theory to derive the options of strategic alliances and then use the resource-based view to explicate the options that administrators can use to manage the coordination, communication, and bonding of the formed strategic alliances. We then integrate these two perspectives to explain how effective management of the individual dyadic relationships and the overall alliance portfolio is important for establishing a competitive strategic position within the healthcare industry.

INTRODUCTION

Organizations operating in dynamic industries are faced with a large amount of uncertainty regarding strategic options, and thus, must maintain the flexibility to respond to changes in the external environment and capitalize on the opportunities they provide (Teece, Pisano, & Schuen, 1997). Increasingly, organizations are managing environmental uncertainty and achieving strategic organizational goals by forming alliances with partners who offer strengths not maintained by the primary organization (Schreiner, Kale, & Corsten, 2009). Healthcare organizations, in particular, operate in an extremely dynamic environment due to frequent changes in the regulatory demands. The dynamism has never been more evident than with the recent passage of the Affordable Care Act. This act promotes an accountable care organization (ACO) model that encourages hospitals, physicians and other healthcare providers to collaborate to ensure cost effective delivery of patient care. Creating and maintaining these ACO alliances in addition to the many other non-ACO alliances in a cohesive and efficient manner is challenging as managers must account for not only the dynamics of each alliance, but also for how each dyadic relationship influences the overall portfolio of alliances (Wassmer, 2010). Healthcare alliances have historically not been equipped to manage these types of portfolios and to date no specific insight to healthcare strategic alliance portfolio management has been proffered.

In order to address this opening in the literature this paper sets out to examine the phenomenon of healthcare alliance portfolios from two perspectives. First, we utilize resource dependence theory (RDT) to derive the options of strategic alliances that healthcare administrators can form based on the value and congruence of the resources that the alliance relationship could provide.
Second, we use the resource-based view (RBV) to explicate the options that administrators can use to manage the coordination, communication, and bonding of the formed strategic alliances. We then integrate these two perspectives and explain how effective management of the individual dyadic relationships and the overall alliance portfolio is important for establishing a competitive strategic position within the healthcare industry.

Analyzing portfolios of alliances requires hospital management to step back from the day-to-day management of transactional contracts and adopt a broader perspective to ensure that the overall portfolio configuration is congruent with the organization’s strategic goals (Gulati, Lavie, & Singh, 2009). Many organizations enter into alliance relationships without considering the impact of the relationship on the overall portfolio or how the specific alliance improves the alignment of the overall portfolio of alliances with the organization’s strategic plan (Bamford & Ernst, 2002). Healthcare reform and the surrounding legislation suggests the need for real and significant changes to the way healthcare is delivered, yet leaves healthcare leaders in a quandary as to how to make the necessary changes. In addition to the changing definitions of reform itself there is “a lack of knowledge and experience on the part of providers” on the structure of the organization and the essential relationships necessary to implement the changes required or encouraged by the reform legislation (McClellan, McKethan, Lewis, Roski & Fisher, 2010 p.987). Similar to other organizational leaders, healthcare administrators may not fully consider how newly forged ACO alliances may contribute to their current alliance portfolio. With the ever-changing dynamic of the healthcare industry, not only the composition of the portfolio but the management of the relationships is increasingly difficult. The national strategy for healthcare reform calls on ACO’s to continue to examine the effectiveness of the relationships they create both within and outside the patient care area with an eye on clinical care and economic responsibility. Therefore, we examine each strategic alliance in terms of whether it aligns with the core mission of the hospital, or if it contributes to more peripheral activities in which the organization is involved. Based on this examination we identify the contribution of each dyadic alliance relationship and contextualize it in light of the implications for the overall alliance portfolio.

This examination is structured in the following manner. First, we provide a theoretical framework for alliance portfolio management. Second, we develop a framework based on the congruence of resources and value of the alliance relationships, and provide specific examples from the healthcare industry. Finally, we discuss the managerial implications and directions for future research in the concluding remarks.

THEORETICAL FRAMEWORK: MANAGING THE DYADIC RELATIONSHIPS

Alliances are defined as “a medium- to long-term contractual arrangement in which two or more independent organizations acknowledge their mutual interdependence and strive to pool their resources to jointly create an outcome that neither of the exchange parties can easily attain on its own” (Schreiner, Kale, & Corsten, 2009, p. 1402). Alliance portfolios develop when organizations engage in multiple dyadic alliance relationships (Wassmer, 2010), creating the need for healthcare organizations to effectively manage multiple alliances simultaneously. The
engagement in multiple dyadic alliance relationships is called an alliance portfolio (Wassmer, 2010) and the capability needed for healthcare organizations to effectively manage multiple alliances simultaneously is called a portfolio management capability (Barney, 1991). Traditionally, alliance research has relied upon theories of organizational economics, such as transaction cost theory and agency theory, to understand and explain the motives and implications of alliance formation (Reuer & Ragozzino, 2006). The organizational economic perspective is concerned with the contractual relationship formed between the exchange parties under the assumptions of bounded rationality, opportunism and asset specificity (Coase, 1937; Williamson, 1985). From this perspective, the contract serves as the appropriate governing mechanism designed to reduce or eliminate the risk associated with opportunistic behavior under conditions of bounded rationality and asset specificity. The extant literature also suggests that alliances serve as a means for firms to adapt to their environment by matching the firms strategy and resources to environmental changes (Hoffman, 2007); however, the organizational economic perspective does not “assign a significant role to partner firm resources in theorizing about strategic alliances” (Das & Teng, 2000, p. 34).

The tenets of resource dependency theory, however, allow for the inclusion of strategic alliances when evaluating a firm’s resources (Ulrich and Barney, 1984). Resource dependence theory assumes an open systems perspective of organizations by suggesting that organizations are restricted by the conditions of their environment (Pfeffer & Salancik, 1978) and depend upon exchange relations with other firms for survival. According to Ulrich and Barney (1984), this theory is based on three assumptions: 1) organizations are comprised of social exchanges that result in the formation of both internal and external coalitions with the intention of influencing and controlling behavior; 2) environments are uncertain and contain scarce resources that are valued by the organization and are essential for firm survival; and 3) organizations vie for power through the attainment of resources which reduces their dependence on other organizations and maximizes the dependency of other organizations on them. In this view, organizational success is defined as the maximization of organizational power, while the connections among organizations are viewed as a set of power relations based on the exchange of resources (Ulrich & Barney, 1984).

Analyzing healthcare alliance relationships in regards to the resource contributions of each party involved is consistent with research on strategic alliances. For example, Ozcan and Eisenhardt (2009) showed that not only do firms rely upon each other through interdependence, but firms can also create a vision of interdependence. Additionally, Lomi and Patterson (2006) suggest that dependencies extend across multiple networks, forming a “multiplexity” of interdependencies and exchange relationships. These current views of resource dependency theory (and in particular, interdependencies) are especially relevant in healthcare portfolios consisting of vast and varying ties with providers and physicians.

From a resource dependence perspective, managers serve three general purposes: 1) the manager acts as a symbol (the manager may be seen as a center of emotion and personification of the organization, as a scapegoat or someone to attribute success, or as a symbol of leadership); 2) the manager acts as a facilitator guiding and controlling the interaction between the firm and the
environment; and 3) the manager is responsible for understanding and staying abreast of changes in the social environment (Pfeffer & Salancik, 1978). In other words, managers primarily try to reduce uncertainty and dependence by increasing their control over important resources and therefore increasing their power (Pfeffer & Salancik, 1978). This is different from the assumptions of organizational economic theories, which maintain that managers are opportunistic in nature and driven by economic self-interest.

**STRATEGIC ALLIANCE TYPOLOGY QUADRANTS**

Grounded in resource dependence theory, the dimensions we consider in order to identify appropriate strategies for each dyadic relationship are: level of resources offered by the partnering organization or individual, and the importance or alignment of the resources with the core mission of the organization. The diversity of relationships entered into by healthcare organizations requires a broad conceptualization of what is defined as resources. Consistent with Barney’s (1991) conceptualization of resources, we consider resources to include physical, human and organizational resources. This broad conceptualization allows us to account for the wide array of partnering firms and individuals in the healthcare context. For example, a hospital that has many physical assets would score high on resources while at the same time, a doctor who is a specialist or who has a broad social network would also score high on assets. The second dimension of the framework takes into consideration the level of congruence that the partnering firm in the alliance has with the core mission of the organization. The assumption is that the more central the other party is to the core of the organization, the greater value the alliance will represent to the firm. The interaction of the value of the resources obtained from the alliance and the resource congruence with the mission of the firm yields the proposed typology consisting of four types of strategic alliances depicted in figure 1.

Figure 1: Strategic Alliance Typology

<table>
<thead>
<tr>
<th>Value of Resources Obtained from Alliances</th>
<th>Core</th>
<th>Peripheral</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Relational-Incremental</td>
<td>Low Relational-Convenience</td>
<td></td>
</tr>
<tr>
<td>The relationship is important however it has marginal benefit</td>
<td>The relationship is not central to the mission and offers marginal benefit</td>
<td></td>
</tr>
<tr>
<td>High Relational-Strategic</td>
<td>High Relational-Complementary</td>
<td></td>
</tr>
<tr>
<td>The relationship has power balance strengthening market dominance</td>
<td>The relationship broadens the scope of the market</td>
<td></td>
</tr>
</tbody>
</table>
The alliance typology is the result of the interaction of the value of resources (high or low) obtained from the target firm and the resource congruence (core or peripheral) with the mission of a firm. The resulting typology quadrants yield relationships that we have titled relational-incremental, relational-convenience, relational-strategic and relational-complementary. In the following section we explain each type of relationship and offer examples from the healthcare industry.

**Relational-Incremental Alliance**
A Relational-Incremental alliance is a marginal alliance formed when a healthcare entity enters into an alliance with a partnering firm or individual that possesses minimally significant tangible or intangible resources. While the resources possessed by the partnering firm may align with the mission of the organization, the benefit of this relationship is marginal, if not insignificant, because the value of controlling the resource is incremental for the healthcare organization.

In practice, many of these contracts may involve non-critical patient services. These services are relatively standard and are often delivered at the direction of doctors or other healthcare professionals who are closely related to critical care. While these medical services are essential to the core business of the hospital, the contracting entity often has little more to offer the hospital than human resources and customer service which are typically generic due to the numbers of providers of this service in larger markets. Furthermore, these services may have an important impact on the quality of care, as is the case with the services of laboratory, physical or occupational therapy, and some pharmacy or outpatient services. Thus, while these functions are important to the performance of healthcare organizations, there is little scarcity for these valuable resources. Therefore, from a resource dependence perspective, the value of controlling these relationships only minimally reduces environmental uncertainty and does not significantly impact firm survival.

Some of the healthcare-physician contracts also fall within this quadrant of the matrix. For example, Management Services Organizations (MSO) and Independent Physician Associations (IPA) may be considered marginally beneficial to the hospital. Under the MSO model, hospital-operated management organizations provide billing and other administrative services for physicians working on the medical staff for a fee. Similarly, the IPA is a contractual network whose purpose is to assist physicians in the negotiations of managed care contracts (Cuellar & Gertler, 2006). While these relationships are typically exclusive, both the physician and the hospital are legally and financially independent. Thus, these alliances contribute to the hospital’s mission of patient care, but aside from indirectly effecting physician admitting behavior, they do not facilitate access to valuable, rare, inimitable, and non-substitutable resources to the hospital.

**Relational-Convenience Alliance**
The Relational-Convenience alliance relationship is characterized by low access to new resources that are typically of peripheral relevance to the organization. Contracts in this quadrant consist of functions other than the treatment of patients such as food services, landscaping, and...
various administrative services (e.g., hardware maintenance) that do not directly contribute to the quality of patient care. While these relationships may impact the overall satisfaction of the patient’s hospital experience, the service contracts in this area are tangential to the organization’s core mission.

**Relational-Strategic Alliances**

The Relational-Strategic alliance relationship is of paramount importance for the firm because it offers a balance of power for both firms in the dyadic relationship. This alliance is strategic because it provides unique access to valuable resources and it is highly related to the organization’s core mission. This form of alliance also leads to competitive forbearance because it is likely that these two firms would compete were they not engaged in an alliance. Pfeffer & Salancik (1978) labeled this type of alliance relationship as “communalistic” because it is formed between firms that normally compete within the same niche, and this type of alliance can reduce uncertainty by increasing each organization’s control over resources within the industry.

In the healthcare context, Coles and Hesterly (1998) examined how hospitals chose vertical boundaries related to both medical, laboratory, radiology and physical therapy services and non-medical services such as housekeeping, food services and maintenance. The researchers reasoned that hospitals had a strong incentive to integrate medical services as opposed to non-medical services (Coles & Hesterly, 1998). Evidently the medical services examined in this research study were more central to the core of the organization and therefore were an attractive target for alliance formation.

Relational-Strategic alliances are intended to benefit both partners. For instance, hospitals can provide physicians with facilities, equipment, support staff, and supplies to care for patients, while physicians possess the skills, knowledge, and abilities to care for those patients. The balance within these alliances is, however, dynamic because there are economic pressures at work which may place them against each other (Manko, 2005). Examples of balanced alliances include direct employment relationships or fully integrated organizations (FIO) which typically employ physicians after purchasing the physician’s entire practice (Cuellar & Gertler, 2006). Under this arrangement, physician services can be billed by the hospital as non-facility services. Significant growth of the hospitalist model, inpatient medicine, and physicians seeking employment has collectively created an environment where physician employment is a very common model.

Another example of a Relational-Strategic alliance is the hospital-owned clinic staff model, often referred to as a physician hospital organization (PHO). This model is similar to a balanced joint venture between two contracting entities in that the hospital owns the facility that it staffs with the physicians through the establishment of a professional service agreement. The hospital bills and collects for all the services provided in the facility and then reimburses physicians based on the guidelines established within the contract. This arrangement allows physicians to maintain separate and autonomous offices while remaining contractually bound to the healthcare organization. These arrangements typically have centralized administrative services allowing for
the efficient negotiation of payment contracts. Other services that could be provided in this model are emergency room, nursing, or radiology services.

**Relational-Complementery Alliance**

A Relational-Complementery alliance is a relationship formed with a firm endowed with resources which are tangentially congruent with the organization’s mission. This type of alliance relationship offers opportunities for the organization to broaden its service offering by gaining access to capabilities that complement the organization’s core competencies. In this way, firms are able to reduce uncertainty by controlling requisite resources, while simultaneously depriving competing firms from using these valuable resources. Thus, this approach to alliance formation offers two advantages: 1) it complements a firm’s resources with other resources required within the niche; and 2) it reduces the amount of resources available to other firms competing within the same industry.

One example of this type of alliance is a hospital’s partnering with a durable medical equipment (DME) vendor. This relationship provides the hospital with equipment that may be used within the hospital such as medical beds. By forming an alliance for these types of services, hospitals can ensure quality and customer service. Furthermore, these alliances could lead to complementary services such as the hospital obtaining reduced prices by allowing the DME vendor to provide equipment for home use to the hospital’s patients. While there are legal considerations that assure that patients have a choice of medical equipment vendors, DME companies associated closely with a hospital could easily increase sales volume through this type of alliance.

Another service line that many hospitals consider complementary is long-term care. Long-term care includes a range of health, personal care, social, and housing services provided to patients with chronic health conditions which limit their ability to carry out daily activities. The services most closely associated with long-term care are nursing homes or nursing facilities (NFs). These institutions, which may or may not be hospital based, offer a broad array of services.

**MANAGING THE PORTFOLIO OF ALLIANCES**

The shift from managing single dyadic relationships to managing a portfolio of alliances suggests that “what matters is not the success or failure of a single alliance but that the company will reach its strategic goals with the bundle of its alliances, thus placing the structure and strategic orientation of the whole alliance portfolio at the center of interest” (Hoffmann, 2007, p. 828). We examine the value of bundling alliances by using the resource-based view (RBV) of the firm, which proposes that the responsibilities of the managerial role revolve around the capability to identify and efficiently manage the optimal bundle of resources that may enhance firm performance (Makadok, 2001). Resources are heterogeneously distributed across firms, and the mechanism for their profit-making potential is the manager’s ability to pick and manage the appropriate combination of resources (Makadok, 2001). This RBV perspective defines resources as the tangible and intangible assets permanently tied to the firm (Wernerfelt, 1984). Consistent
with RBV, we contend that the strategic alliances that hospitals maintain embody tangible and intangible resources that can be bundled to create value for the firm as long as the resources obtained from various alliances are heterogeneous (Makadok, 2001). For bundling, the typology we previously presented is useful as it reflects the value of the resources that each relationship provides to the firm. Healthcare administrators can use the typology to structure the portfolio of hospital alliances and capitalize on it to optimize hospital performance.

Furthermore, the dynamic-capabilities extension of the resource-based view (Barney, Wright, & Ketchen, 2001) suggests that firms have the ability to restructure alliance portfolios by recombining resources and alliances. Therefore, we contend that healthcare organizations should focus not only on creating the optimal bundle of strategic alliances, but also on restructuring this bundle adequately by recombining its resources and capabilities to face environmental conditions. The RBV and dynamic capability view are complementary perspectives indicating that the utilization of both of these approaches facilitates the performance of the organization (Eisenhardt & Martin, 2000; Makadok, 2001).

The ability to form alliances is considered central to alliance management and is considered a potential source of competitive advantage (Hoffmann, 2007; Schreiner, Kale, & Corsten, 2009). In his seminal publication on the value of firm resources, Barney (1991) explained why some firms outperform others based on the value, rareness, inimitability, and substitutability of their resources. Furthermore, Teece, Pisano, & Shuen (1997, p. 518) indicated that “competitive advantage of firms lies with its managerial and organizational processes, shaped by its (specific) asset position, and the paths available to it”. These processes are borne from capabilities that are “information-based, tangible or intangible processes that are firm specific and are developed over time through complex interactions among the firm’s resources” (Makadok, 2001, p. 388). Alliance capabilities include coordination and know-how skills, as well as the ability to establish alliances and forge relationships in order to create value through “relation-specific investments, knowledge sharing, complementary partner resources, and informal safeguards” (Gulati, Lavie, & Singh, 2009, p. 1214). The importance of these capabilities lies in that “close personal relationships and bond among individuals are responsible for establishing norms of trust and reciprocity in economic exchange … particularly in the face of changing circumstances, interpersonal relationships secure the adaptation and execution of long-term exchanges and foster continuity (Folta, 1998)” (Schreiner, Kale, & Corsten, 2009, p. 1400).

Within a portfolio management context, a healthcare alliance portfolio capability includes the ability to: a) form new alliances that do not compete with other existing alliances in the portfolio, b) carefully select partners for a given alliance that are compatible with partners in other extant alliances, c) set up an appropriate firm-level mechanism to monitor various alliances in its portfolio, or d) coordinate activities and knowledge flows across individual alliances in the portfolio, and others (Hoffmann, 2007; Schreiner, Kale, & Corsten, 2009). Specifically, alliance management capability is a second-order multidimensional construct comprised of coordination, communication and bonding skills. Coordination refers to the “ability to manage the interdependency between partners” (Schreiner, Kale, & Corsten, 2009, p. 1401). Communication refers to the expedient exchange of information between organizations. Bonding refers to the
affect and appreciation that develops through proximal, continuous and recurring interaction between two parties (Granovetter, 1973; Schreiner, Kale, & Corsten, 2009).

We apply the resource-based view to healthcare alliance portfolios and posit that organizations are responsible for both identifying the optimal bundle of alliances to maintain, as well as utilizing and structuring the portfolio of these alliances in an effective manner through coordination, communication, and bonding. By integrating RDT, which considers the selection of the dyadic relationships to be established in the portfolio with RBV, that considers the overall portfolio configuration based on the contributions of the dyadic relationships that should be managed by effective coordination, communication and bonding, overall portfolio value should be enhanced.

Management of healthcare alliance portfolios takes into consideration the interconnectedness between all of the members within the portfolio. Analyzing healthcare alliances from an RBV perspective requires research to be performed at the interpersonal, interunit, and interorganizational levels (Brass, Galaskiewicz, Greve, & Tsai, 2004). Given the broad scope of relationships entered into in the healthcare industry it is important to take into consideration several different levels of relationships. Furthermore, these interconnected relationships influence healthcare actors by providing both opportunities and constraints to the different parties involved.

At an individual level, interpersonal relationships in the healthcare context are fostered mainly by trust, reciprocity, and proximity within an organizational structure. This type of relationship leads to positive outcomes such as job satisfaction, employment, increased performance, increased citizenship behaviors, promotions and leadership. Within healthcare organizations, interunit relationships result from interpersonal ties, functional ties and organizational processes and control mechanisms. The outcomes of these relationships in healthcare have been found to result in increased performance, and innovation and knowledge activities. Finally, the antecedents of interorganizational relationships are motives, learning, trust, norms and monitoring, equity and context. The consequences of these relationships tend to be imitation, innovation, firm survival, and performance.

According to Brass et al. (2004) alliance portfolios are normally formed for the following reasons: 1) firms ally with other firms with whom they share interdependence; 2) firms tend to form alliances with firms with whom they have already had a relationship; 3) having third-party indirect connections significantly enhances the possibility of forming alliances; and 4) firms that are further apart in a network are less likely to form relationships. The healthcare manager should consider all these benefits as many of these intangible benefits produce an additional layer of value to the alliance relationship above the purely economic or resource-based considerations.

The importance of alliances portfolio management in healthcare has increased greatly during the last decade. Healthcare companies have formed different kinds of organizational relationships in order to improve their resource endowment and manage uncertainty (Hoffmann, 2007).
research performed by Uzzi (1997) indicated that organizations tend to have two general types of relationships with other organizations, either arms-length ties or closer relationships that can be considered embedded relationships. Their study suggested that firms typically tend to have more arms-length or market relationships than embedded relationships that involved more trust, information transfer and joint problem solving. Beyond these three advantages of being involved in an embedded relationship, Uzzi (1997) suggests that this special form of social tie increases decision-making speed, allows managers to make satisficing decisions instead of maximizing decisions, and enhances organizational reputation. Essentially, they posit that organizations are influenced by their social context and relational structures impact organizational behavior. Building a sustainable competitive advantage through the formation of strategic relationships is a process that takes time and requires the delicate management of both the dyadic relationships with each strategic partner as well as effective management of the entire alliance portfolio. The synergy created through the alliance portfolio is the source of competitive advantage for healthcare organizations operating in the dynamic environment that characterizes the healthcare industry.

**DISCUSSION**

While physician-hospital alliances are not the only potential contractual relationship considered by hospital leadership, they are arguably the most critical to the hospital’s core mission. Extant research indicates that the quality of the relationship between physicians and their hospital influences both patient and nurse satisfaction (Burns & Muller, 2008). This relationship should ideally benefit both parties because hospitals provide the physicians with the facilities, equipment, support staff and supplies in order to provide quality care while the physician’s have the knowledge, skills and abilities to care for the patients. However, economic pressures often exist, pitting both parties against one another (Manko, 2005).

As organizations within the healthcare industry have evolved from highly bureaucratic organizations with centralized decision-making to organizations with more fluid boundaries formed by alliance portfolios, healthcare leadership has struggled to shift from a transactional relationship structure to a more relational structure. Additionally, hospital leadership may be unaware of the performance of their alliances or if a particular alliance even supports the organizations central mission. For example, Bamford and Ernst (2002) highlighted that a failure to identify and correct recurring problems of this nature could be costly. Furthermore, they offer an example of a leading pharmaceutical company that experienced a number of slow launches due to poor alliance management leading to losses of up to $500 million a year from missed sales opportunities. Therefore, it is important for hospital leadership to recognize these issues and address them. Costly oversights can be avoided with greater managerial communication and careful coordination of the contracts between alliance members.

We do not suggest that the economic aspect of alliance relationships is not important; as within any alliance relationship the development of detailed economic understanding is critical. However, we suggest that the previous focus on economic integration has occurred at the expense of communication, coordination and bonding with the alliance membership. Further it
has been noted that the focus on economics between physicians and hospitals is not sufficient on its own to improve clinical quality or create an integrated healthcare delivery system (Burns & Muller, 2008). The economic focus has distracted healthcare leadership from the overarching goal of clinical integration and strategic relationship building.

Research on healthcare alliances has resulted in a number of prescriptions to improving the dyadic relationships however; in today’s environment of healthcare reform it has become clear that no “one-size fits all” solution will suffice. The framework proposed in this paper recognizes that reality and provides the tools necessary for developing the appropriate alliance portfolio given the existing environmental conditions. Healthcare leadership can benefit by using this tool to develop a comprehensive business strategy based on their unique market position. Often portfolios grow in a seemingly random manner with little or no thought to the contribution of a given alliance to the overall corporate strategy. In the turbulent healthcare environment the overarching strategy may change frequently yet, the alliance portfolio may not.

Healthcare leaders must develop a set of alliance priorities and ensure that the correct alliances are receiving the necessary attention. Those relationships critical to the core mission of the organization and those with complementary key resources (i.e. strategic alliances) should receive more of the leaders communication, bonding and coordination effort and resources than convenient alliance relationships that offer services that are not core to the mission and provide little resource contribution. Based on the fit between a hospital’s overall strategy and the typology developed in this article, hospital leaders can develop a coherent alliance portfolio strategy and focus on relationships that are more relational-strategic in nature.

CONCLUSION

The current environment of changing regulatory pressures, increasing managed care and decreasing reimbursements have led to a myriad of contractual arrangements for hospital leadership to manage. In this article, we have suggested that managers can minimize environmental uncertainty by effectively managing alliance portfolios that provide access to critical resources and facilitate the generation of a sustainable competitive advantage. We have explained that effective healthcare leadership requires both the transactional aspects of managing contracts, and the transformational aspects of managing the firm’s alliance portfolio through the creation and explanation of a typology of managerial strategies. Appropriate use of communication, coordination and bonding across the alliance portfolio, based on the healthcare institution’s overarching strategy, will not only allow access to the necessary resources but will result in a unique competitive advantage.

REFERENCES


FACTORS ASSOCIATED WITH LPHA PARTICIPATION IN CORE PUBLIC HEALTH FUNCTIONS RELATED TO OBESITY PREVENTION, 2008
Jeff Hatala, Texas State University
Janie Probst, University of South Carolina
Michael Byrd, University of South Carolina
Nathan Hale, University of South Carolina
James Hardin, University of South Carolina

ABSTRACT
Obesity is the leading public health problem in the U.S. Obesity rates in every state are increasing. Local public health agencies (LPHAs) are tasked with prevention and are the foundation for health efforts on the community levels. Conceptual frameworks show that good infrastructure can lead to good process, which, in turn, can lead to good outcomes. Infrastructure is measured by structural factors associated with LPHAs and environmental factors linked to obesity prevention; process is measured by participation in core public health factors associated with obesity prevention. Community-based interventions for obesity prevention, as examples of process, have not proven to be successful. If process is ineffective, perhaps structural and/or environmental factors need to be examined. This study, limited to structure and process variables in the conceptual framework, examines what structural factors that influence LPHA participation in assessment, policy development and assurance activities related to obesity prevention.

Introduction
The Institute of Medicine issued a report in 1988 that stated that public health as an organization is in a state of chaos and made many recommendations for improvement (Institute of Medicine 2003). On the community level, local public health agencies (LPHAs) play a critical role in maintaining and improving health. LPHAs have been called “where the rubber meets the road” in terms of providing services to the public (Turnock 2007) and, according to an Institute of Medicine report, “the backbone of the public health system (Novick, Morrow, and Mays 2008). Another definition states that LPHAs “…are responsible for creating and maintaining conditions that keep people healthy.” (Novick, Morrow, and Mays 2008).

Obesity is one of the nation’s biggest threats to the health of the U.S. population (Jia and Lubetkin 2010) and is a leading public health problem in the U.S. (Ogden et al. 2006) (Anderson et al. 2005). Obesity affects all ages, ethnic groups, regions of the county and levels of socioeconomic status (Jeffery and Utter 2003). Compared to whites, non-Hispanic blacks, Mexican Americans, Native Americans and Puerto Ricans have a higher levels of obesity, and Asian Americans exhibit lower levels of obesity (Denney et al. 2004). Rural populations, compared to urban populations, have higher obesity prevalence (Patterson et al. 2004) (Jackson et al. 2005). Rates of childhood obesity have doubled or tripled, depending on the age group considered, from the late 1970s to the late 2000s (Ogden et al. 2006), (Centers for Disease Control and Prevention). In addition, the government pays for approximately 50 percent of the total annual medical expenditures linked to obesity through Medicaid and Medicare beneficiaries (Eric A. Finkelstein, Ruhm, and Kosa 2005). Based on the magnitude of what the government pays for care for the obese population, it has a vested interest in solving the obesity epidemic.
The relationship between LPHAs and obesity prevention is not well chronicled. Since the 1970s, a number of community-based obesity prevention programs have been developed and implemented, such as the Minnesota Heart Health Program (MHHP), the Pound of Prevention program, and the Stanford Three-Community program. Each of these programs differed in duration and types of informational and/or educational components included. None of the programs had long-term benefit and only MHHP and the Stanford-Three Community program had short-term reduction of specific risk factors with certain populations studied. (Jeffery et al. 1995), (Schmitz and Jeffery 2000). These large-scale studies, although significant, did not specify the driver of planning, design or implementation of the programs.

With success of community-based obesity prevention efforts not being realized, evaluation efforts are critical to understanding why. The success of prevention programs relies on the “capacity of a community to engage in prevention efforts (Ataguba and Mooney 2011). With the government’s economic interest in the obesity rates and the health of the population, prevention and control becomes critically important. Current research about obesity prevention programs and interventions focuses on health education and behavior change, but does not include the examination of system in which the problem can be solved (Abrams and Brownell).

The role of the public health system in combating obesity has recently been published (Zhang et al. 2010) (Erwin et al. 2011). As obesity is a very serious health problem in the U.S.(Jia and Lubetkin 2010; Ogden et al. 2006; Anderson et al. 2005), this proposed study will reveal what infrastructural factors influence participation in the 10 essential public health services for obesity prevention and might identify areas where structure supports or hinders the delivery of obesity prevention services.

METHODS

An analysis of data from the 2008 National Association of City and County Health Officials (NACCHO) Profile surveys was used to assess the degree to which LPHAs are engaging in each of the 10 essential public health activities with regard to obesity prevention and the extent to which infrastructure is associated with this engagement. The 2008 data set consists of responses about infrastructure, activities and obesity prevention for a large proportion of the 3200 local public health agencies in the U.S. The NACCHO data sets were created from electronic surveys of local public health agencies with consistent follow-up with paper surveys to increase response rate. The 2008 data set was selected based on the questions asked pertaining to specific infrastructure and activities performed, and this data was collected before the significant economic downturn that started in the late 2000s.

Conceptual framework

Handler, Issel and Turnock created a conceptual framework for measuring the performance of the public health system in 2001 (Handler, Issel, and Turnock 2001) and was later modified by Mays et al in 2009 (Mays et al. 2009). The framework is based on the Donabedian model, which states that “good” structure yields good “process”, which, in turn,
yields “good” outcomes (Donabedian 1988). Although the Donabedian model was designed to assess quality of provider care, the model can apply to other health service providers, including public health agencies. In the Donabedian model, “structure” pertains to the “attributes of the setting in which care occurs”\(^8\). Rather than structure referring to such things as facilities, equipment, and finances of a hospital or medical office, structure in a public health setting would include governing body, funding, workforce (executive and staff) characteristics, quality improvement and monitoring system, information technology capabilities. Process in the Donabedian model refers to “what is actually done in giving and receiving care” (Donabedian 1988). In a public health context, process would apply to the specific public health services and how those services are delivered to the public or the community. Such services include obesity and other prevention services, which could be delivered, for example, through partnerships or through policies. Outcomes signify the “effects of care on the health status of patients and populations” (Donabedian 1988). In terms of public health, the definition of outcomes is no different. For the purposes of this proposed study, outcomes will not be examined. Applying the Donabedian framework to obesity prevention services as “process,” understanding the influence of “structure” on process becomes important as it can show the influence of structural elements on process.

**Independent Variables**

Structural elements of LPHAs include jurisdiction boundaries (county, other), jurisdiction size/population size served, staffing levels, presence of community-based partnerships, funding levels, statutory authority (state, local), governance (governed by local board of health or not), leadership (operationally defined as top agency executive with terminal degree). In addition, the Handler et al and Mays et al. frameworks also show that environmental factors influence the structural factors. Environmental factors pertaining to obesity prevention used in this study include state BMI (body mass index) level and presence of CDC funding designated for obesity prevention.

**Outcome Variables**

The key variables in this proposed study are the 10 essential public health services performed in relation to obesity prevention in 2008. Data was coded to create dichotomous variables that show the presence of each of the 10 essential public health services for obesity prevention. A list of the 10 essential public health functions is included in Table 1.

In addition, a new variable was created that shows what core public health function -- assessment, policy development and assurance – was performed based on the number of related essential public health activities the LPHA reported doing. The core function variable will represent an index or scale of the intensity of essential public health activities related to a specific core function.

Statistical analysis performed included percentages, t test, ANOVA and linear regression as well as tests for model specification issues, such as multicollinearity and heteroscedasticity.
No bias issues were revealed pertaining to multicollinearity and heteroskedasticity. All analysis was done using weighted data in SAS 9.3.

Results

1. Frequency of LPHAs Performing Essential Public Health Activities Related to Obesity Prevention

Table 1 provides descriptive information about the percentage of LPHAs involved in each of the 10 essential public health functions as they relate to obesity programs as reported in 2008. Almost three-fourth of all responding LPHAs (72.28%) are involved in informing and educating people about obesity. More than half report working in mobilizing community partnerships (55.44%), linking people to needed services/outreach and referral (53.89%) and monitoring health status (52.33%). Nearly half of LPHAs (45.34%) report diagnosing and investigating obesity-related problems in the community. Just over one-third (36.27%) of LPHAs report being engaged in policy making and planning and assuring staff (33.16%) are competent to provide services. Slightly more than one quarter of LPHAs (26.42%) are evaluating program effectiveness. Less than one quarter are involved in research pertaining to obesity programs (13.99%) and enforcing laws related to obesity (4.92%). Nearly one-fifth (17.10%) of LPHAs report there is no activity in obesity prevention.

<table>
<thead>
<tr>
<th>10 Essential Public Health Service</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Monitor health status to identify and solve community health problems.</td>
<td>52.33</td>
</tr>
<tr>
<td>2. Diagnose and investigate health problems and hazards in the community.</td>
<td>45.34</td>
</tr>
<tr>
<td>3. Inform, educate, and empower people about health issues.</td>
<td>72.28</td>
</tr>
<tr>
<td>4. Mobilize community partnerships and action to identify and solve health problems.</td>
<td>55.44</td>
</tr>
<tr>
<td>5. Develop policies and plans that support individual and community health efforts.</td>
<td>36.27</td>
</tr>
<tr>
<td>6. Enforce laws and regulations that protect health and ensure safety.</td>
<td>4.92</td>
</tr>
<tr>
<td>7. Link people to needed personal health services and assure the provision of health care when otherwise unavailable.</td>
<td>53.89</td>
</tr>
<tr>
<td>8. Assure competent public and personal health care workforce.</td>
<td>33.16</td>
</tr>
<tr>
<td>9. Evaluate effectiveness, accessibility, and quality of personal and population-based health services.</td>
<td>26.42</td>
</tr>
<tr>
<td>10. Research for new insights and innovative solutions to health problems.</td>
<td>13.99</td>
</tr>
<tr>
<td>NA</td>
<td>17.10</td>
</tr>
</tbody>
</table>

Variables were then collapsed to reflect LPHA involvement in the core essential public health functions of assessment, policy development and assurance related to obesity prevention.
Assessment is comprised of essential public health activity 1 (monitoring health problems) and 2 (diagnosing and investigating health problems. Policy development is based on essential public health functions 3 through 5 (informing, educating and empowering people; mobilizing community partnerships and developing policies and plans). Assurance includes essential public health functions 6 through 9 (enforcing laws and regulations, linking people to needed personal health services, assuring a competent workforce, evaluating effectiveness). Research, essential public health function 10, can occur in any of the essential public health functions. Without ability to link this essential public health function to a specific core activity in the data set, this variable was not included in the categorization.

Table 2 below shows the percentage of LPHAs who participate in each core public health function as related to obesity prevention.

<table>
<thead>
<tr>
<th>Core Public Health Service</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessment</td>
<td>57.89</td>
</tr>
<tr>
<td>Policy development</td>
<td>73.39</td>
</tr>
<tr>
<td>Assurance</td>
<td>60.72</td>
</tr>
</tbody>
</table>

3. Bivariate analysis showing factors influencing level of participation in assessment activities performed by LPHAs for obesity programs

Bivariate analysis was performed to provide more detail about the extent of the relationship between LPHA infrastructure and environmental factors and level of participation in core public health activities pertaining to obesity prevention. The tables below provide the results of bivariate analysis that shows level of involvement by each LPHA characteristic. Bivariate analysis was performed using t tests and ANOVA, depending on the number of levels of the independent variable of concern.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Assessment Mean Score</th>
<th>P value*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall Adjusted Average</td>
<td>.46</td>
<td></td>
</tr>
<tr>
<td>Jurisdiction boundaries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>County</td>
<td>.96</td>
<td>Ref</td>
</tr>
<tr>
<td>Other</td>
<td>.86</td>
<td>.2944</td>
</tr>
<tr>
<td>Jurisdiction size</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; 50,000</td>
<td>.84</td>
<td>.0591</td>
</tr>
<tr>
<td>50,000 -- 250,000</td>
<td>1.02</td>
<td>.5637</td>
</tr>
</tbody>
</table>
### Table

<table>
<thead>
<tr>
<th>Category</th>
<th>Reference</th>
<th>p Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Staffing levels (in terms of full-time equivalents [FTE])</strong></td>
<td>1.09</td>
<td>Ref</td>
</tr>
<tr>
<td>&lt;=6.5</td>
<td>.52</td>
<td>&lt;.0001</td>
</tr>
<tr>
<td>6.5 -- 16.5</td>
<td>1.02</td>
<td>.4300</td>
</tr>
<tr>
<td>16.5 -- 47</td>
<td>1.13</td>
<td>.9619</td>
</tr>
<tr>
<td>47+</td>
<td>1.12</td>
<td>Ref</td>
</tr>
<tr>
<td><strong>Intergovernmental relationships</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Community-based Organizations {CBOs})**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Presence of partnerships with CBOs</td>
<td>.97</td>
<td>&lt;.0001</td>
</tr>
<tr>
<td>No presence of partnerships with CBOs</td>
<td>.32</td>
<td>Ref</td>
</tr>
<tr>
<td><strong>Funding levels</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; 500,000</td>
<td>.62</td>
<td>&lt;.0001</td>
</tr>
<tr>
<td>500,000 -- 2.5 million</td>
<td>1.05</td>
<td>.0001</td>
</tr>
<tr>
<td>2.5 million+</td>
<td>1.10</td>
<td>Ref</td>
</tr>
<tr>
<td>Funding mix (federal in relation to ntl ave.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funding level &gt; national average</td>
<td>1.12</td>
<td>.1510</td>
</tr>
<tr>
<td>Funding level &lt; national average</td>
<td>.96</td>
<td>Ref</td>
</tr>
<tr>
<td><strong>Statutory authority</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State control</td>
<td>.92</td>
<td>.9720</td>
</tr>
<tr>
<td>Local control</td>
<td>.92</td>
<td>Ref</td>
</tr>
<tr>
<td><strong>Governing structure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Presence of local board of health</td>
<td>.92</td>
<td>.8323</td>
</tr>
<tr>
<td>No local board of health</td>
<td>.89</td>
<td>Ref</td>
</tr>
<tr>
<td><strong>Leadership</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Top LPHA executive earned terminal degree</td>
<td>.79</td>
<td>.0872</td>
</tr>
<tr>
<td>Top LPHA executive does not possess terminal degree</td>
<td>.95</td>
<td>Ref</td>
</tr>
<tr>
<td><strong>State BMI level</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;25</td>
<td>.58</td>
<td>.0123</td>
</tr>
<tr>
<td>25-29</td>
<td>1.03</td>
<td>.5569</td>
</tr>
<tr>
<td>30+</td>
<td>.96</td>
<td>Ref</td>
</tr>
<tr>
<td><strong>CDC Funds</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State received CDC funding designated for obesity prevention</td>
<td>.92</td>
<td>.9494</td>
</tr>
<tr>
<td>State did not receive CDC funding designated for obesity prevention</td>
<td>.92</td>
<td>Ref</td>
</tr>
</tbody>
</table>

**Bolded p values levels indicate statistical significance between identified level and referent level.**

**Indicate variables that are statistically significant.

Staffing levels, presence of partnerships with community-based organizations, staffing levels and state BMI levels were associated with level of participation in assessment-related
activities pertaining to obesity prevention. There were positive associations between levels of involvement in assessment activities and staffing levels, presence of partnerships with community-based organizations, funding levels, and state BMI levels.

From using the mean square, there was a significant difference in participation in assessment activities between LPHAs with staffing levels of less than 6.5 FTE and LPHAs with staffing levels with more than 47 FTE. There was no significant difference between LPHAs that have staffing levels of 6.5 and 16.5 FTE and LPHAs with staffing levels greater than 47 FTE. Also, there was no significant difference between LPHAs that have staffing levels between 16.5 and 47 FTE and LPHAs with staffing levels greater than 47 FTE.

There was also a significant difference (data not shown) in participation in assessment activities between LPHAs with staffing levels of less than 6.5 FTE and LPHAs that have between 16.5 and 47 FTE. Also, there was a significant difference in involvement in assessment activities between LPHAs with less than 6.5 FTE and LPHAs that have between 6.5 and 16.5 FTE. Comparing LPHAs with staff levels between 6.5 and 16.5 FTE, there was no significant difference with LPHAs with either of the larger categories of FTE ranges.

There was a significant difference in participation in assessment activities based on state BMI rate. Participation in assessment-related activities related to obesity prevention increases as state BMI levels increase from normal weight to overweight and from normal weight to obese. There was no significant different in participation in assessment activities between LPHAs with state BMI rate in the overweight category and the obese category.

Participation in assessment-related activities increases as funding levels increase from less than 500,000 annually to amounts greater than 2.5 million. Participation in assessment-related activities increases as funding levels increase from less than 500,000 annually to amounts between 500,000 and 2.5 million. There was no significant difference in participation in assessment activities between LPHAs with funding levels between 500,000 and 2.5 million and LPHAs with funding levels greater than 2.5 million (data not shown).

| Table 4 - Factors Influencing Participation in Policy Development Activities Performed by LPHAs for Obesity Programs, 2008 |
|-------------------------------------------------|----------------|-----------------|
| Variable                                       | Policy Development Mean Score | P value*        |
| Overall Adjusted Average                       | .41             |                 |
| Jurisdiction boundaries                        |                 |                 |
| County                                         | 1.27            | Ref             |
| Other                                          | 1.21            | .5162           |
| Jurisdiction size**                            |                 |                 |
| < 50,000                                       | 1.10            | <.0001          |
| 50,000 -- 250,000                              | 1.41            | <.0148          |
| 250,000+                                       | 1.66            | ref             |
| Staffing levels**                              |                 |                 |
| <=6.5                                         | .82             | <.0001          |
| 6.5 -- 16.5                                    | 1.29            | .0107           |
| 16.5 -- 47                                     | 1.38            | .0475           |
| 47+                                           | 1.59            | ref             |
Population size served, staffing levels, presence of partnerships with community-based organizations, staffing levels and state BMI level are associated with participation in policy development activities pertaining to obesity prevention. These five factors were also found to be significant when examining factors related to LPHA involvement in policy development activities related to obesity prevention. There were positive associations between levels of involvement in policy development activities and jurisdiction size, staffing levels, presence of partnerships with community-based organizations, funding levels, and state BMI levels.
From using the mean square, participation in policy development activities related to obesity prevention was statistically higher in LPHAs serving more than 250,000 people than in LPHAs serving less than 50,000 people and LPHAs serving between 50,000 and 250,000 people. Also (data not shown), there was a difference in involvement in policy development activities between LPHAs serving between 50,000 and 250,000 people and LPHAs serving more than 250,000 people.

Comparing to staffing levels of more than 47 FTE, there were significant differences in participation in policy development activities related to obesity prevention between every level of staffing.

There were also (data now shown) significant differences in involvement in policy development activities between LPHAs with less than 6.5 FTE and LPHAs with 6.5 to 16.5 FTE, between 6.5 and 16.5 FTE and 16.5 and 47.5 FTE. There were no significant differences between LPHAs with 16.5 to 47 FTE and FTE with more than 47 FTE.

Participation in policy development-related activities related to obesity prevention increase as state BMI levels move from normal weight to overweight, but there was no change in involvement in policy development activities as state BMI levels move from overweight to obese.

There were significant differences in involvement in policy making activities related to obesity prevention based on funding levels. Compared to the annual funding levels less than $500,000, LPHAs with funding levels between $500,000 and $2.5 million have greater participation in policy development, as does LPHAs with more than $2.5 million in annual funding. Further analysis (data not shown) revealed that involvement in policy development-related activities increases as funding increases; there were significant differences between each individual level.

<table>
<thead>
<tr>
<th>Table 5 - Factors Influencing Participation in Assurance Activities Performed by LPHAs for Obesity Programs, 2008</th>
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<tbody>
<tr>
<td><strong>Variable</strong></td>
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<td>---------------</td>
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<tr>
<td>Overall Adjusted Average</td>
</tr>
<tr>
<td>Jurisdiction boundaries</td>
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<tr>
<td>County</td>
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<tr>
<td>Other</td>
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<tr>
<td>Jurisdiction size</td>
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<td>&lt; 50,000</td>
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<tr>
<td>50,000 -- 250,000</td>
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<tr>
<td>250,000+</td>
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<tr>
<td>Staffing levels**</td>
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<tr>
<td>&lt;=6.5</td>
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<tr>
<td>6.5 -- 16.5</td>
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<tr>
<td>16.5 -- 47</td>
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<tr>
<td>47+</td>
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<tr>
<td>Intergovernmental relationships (Community-based Organizations)**</td>
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</table>
The bivariate analysis pertaining to the core public health function of assurance reveals that staffing levels, presence of partnerships with community-based organizations, and funding levels were associated with participation in assurance-related activities pertaining to obesity prevention.

Compared to LPHAs with more than 47 FTE, there were significant differences in participation in assurance activities for LPHAs with fewer than 6.5 FTE and for LPHAs with between 16.5 and 47 FTE. There was no significant difference in participation in assurance activities between LPHAs with more than 47 FTE and LPHAs with 6.5 to 16.5 FTE.

Additionally (data not shown), there were significant differences in involvement in assurance activities between LPHAs with fewer than 6.5 FTE and LPHAs with 6.5 to 16.5 FTE. There were also significant differences in participation in assurance activities between LPHAs with...
with fewer than 6.5 FTE and LPHAs with 16.5 to 47 FTE. There was no significant difference in involvement between LPHAs with 6.5 and 16.5 FTE and LPHAs with 16.5 to 47 FTE.

Compared to LPHAs with less than $500,000 in annual funding, there was no significant difference in involvement in assurance activities for LPHAs with funding levels between $500,000 and $2.5 million. However, there was a significant difference in involvement in assurance activities between LPHAs with less than $500,000 in annual funding and LPHAs with more than $2.5 million in annual funding.

Regarding state BMI levels, compared to LPHAs in states with an average BMI of 30 or greater, there were no significant differences in involvement in assurance activities with LPHAs in states with a normal BMI rate (less than 25) and in states with an overweight BMI rate (between 25 and less than 30).

There were significant differences in participation in assurance activities between LPHAs with less than $500,000 in annual funding and LPHAs with more than $2.5 million in annual funding.

3. Infrastructure and Environmental Factors Associated with LPHA Involvement in Core Public Health Functions Pertaining to Obesity Prevention, 2008

The tables below shows the structural and environmental factors associated with LPHA participation in core public health functions related to obesity prevention.

| Table 6 –Factors Influencing Participation in Assessment Activities Performed by LPHAs for Obesity Programs, 2008 (n=216) |
|-----------------------------------------------------|-----------|-----------|-----------|
| Variable*                                           | Coefficient | St. Error | P value   |
| Jurisdiction boundaries                              | -.0896     | .1289     | .4877     |
| Jurisdiction size                                    | -.1169     | .1209     | .3350     |
| Staffing levels                                      | .2642      | .1289     | .0417     |
| Intergovernmental relationships                      | .4950      | .2564     | .0549     |
| (Community-based Organizations)                      |            |           |           |
| Funding levels                                       | -.0630     | .1832     | .7314     |
| Funding mix (federal > ntl ave.)                    | .0564      | .1226     | .6462     |
| Statutory authority                                 | .1884      | .2328     | .4191     |
| Governing structure                                 | .1937      | .18459    | .2961     |
| Leadership                                          | -.2045     | .1510     | .1771     |
| State BMI rate                                      | .2209      | .1265     | .0822     |
| CDC funding                                         | .0632      | .1252     | .6142     |
| *Intercept                                          | -.3008     | .4147     | .4691     |
| N                                                   | 216        |           |           |
| Prob >F                                             | .0148      |           |           |
| R²                                                  | .0979      |           |           |

*Bolded p values levels of variables that are statistically significant

The reduced model provided different results than the full model. In the reduced model, only presence of a partnership with a community-based organization and state BMI level were shown to influence LPHA participation in assessment–related activities pertaining to obesity prevention. There were positive associations between LPHA involvement in assessment activities and partnerships with community-based organizations as well as with state BMI level. In the full model, staffing levels was the only significant factor influencing LPHA participation.
in assessment activities related to obesity prevention, and there was a positive association between the two. Presence of partnerships with community-based organizations and state BMI level approached statistical significance.

**Policy Development**

Staffing levels and presence of a partnership with a community-based organization are positively associated with LPHA participation in policy development activities related to obesity prevention.

<table>
<thead>
<tr>
<th>Table 7 – Factors Influencing Participation in Policy Development Activities Performed by LPHAs for Obesity Programs, 2008 (n=216)</th>
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<tbody>
<tr>
<td><strong>Variable</strong></td>
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<td>Jurisdiction boundaries</td>
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<td>Jurisdiction size</td>
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<td>Staffing levels</td>
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<td>Intergovernmental relationships (Community-based Organizations)</td>
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<td>Funding levels</td>
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<td>State BMI rate</td>
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<td>CDC funding</td>
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<td>*Intercept</td>
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<td><strong>N</strong></td>
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<td><strong>Prob &gt;F</strong></td>
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<td><strong>R²</strong></td>
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*Bolded p values levels of variables that are statistically significant

**Assurance**

No structural or environmental factors in the analysis were found to be significantly related to level of assurance activities.

<table>
<thead>
<tr>
<th>Table 8 – Factors Influencing Participation in Assurance Performed by LPHAs for Obesity Programs, 2008 (n=216)</th>
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<td><strong>Variable</strong></td>
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<td>Governing structure</td>
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<td>Leadership</td>
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DISCUSSION

The discussion is divided into three sections: 1) discussion of overall findings, 2) discussion of the proportion of LPHAs engaged in essential public health services related to obesity prevention, and 3) discussion of the factors associated with LPHA participation in core public health functions related to obesity prevention.

**Overall findings**

The results shown thus far speak to the effect that one dimension of the Mays et al. and Handler et al. conceptual frameworks has on the strategic decision to participate in the core public health functions related to obesity prevention. Governmental public health agency characteristics play a small role in involvement in core public health functions. The addition of obesity-related environmental factors – state BMI level and presence of CDC funding allocated to states for obesity prevention – also play a small role in participation in the core public health functions. Presence of CDC funding does not play such a role.

**Proportion of LPHAs engaged in essential public health services related to obesity prevention**

Also, as seen in Table 1, only four essential public health activities (monitoring health status, informing and educating about health issues, mobilizing community partnerships, and linking people to needed personal health services) are performed by more than half of LPHAs, and no essential public health function is performed by more than 75 percent of LPHAs. With the results of this study showing that characteristics of LPHAs have little influence on participation in core public health functions related to obesity prevention, then there must be other factors that are influencing at involvement in obesity prevention at the community level. Based on the Mays et al. and Handler et al. conceptual models, it would be logical to hypothesize that the community partners are providing greater support to prevent obesity than are LPHAs.

**Factors Associated with Core Public Health Functions Related to Obesity Prevention**

From examining the results of the regression model with the results of the bivariate analysis, staffing level is the only significant variable associated with participation in assessment and policy development activities. The significance of staffing levels speaks to the importance of the role of people in battling obesity. LPHA staff size is meager compared to other organizations with a similar range of activities (Novick, Morrow, and Mays 2008). Having the staff to deliver assessment and policy development activities, holding all other variables constant, plays a key role. As stated earlier, people/staff perform the actual delivery of the...
intervention. People/staff also educate the public about health issues, create and maintain partnerships, and develop policies and plans to support health efforts. The positive association between staffing levels and the core functions of assessment and policy development shows that the more people, the more participation in those activities.

No structural or environmental factors studied are associated with LPHA participation in assurance. This finding suggests, based on the conceptual model of the public health system, that the role of governmental public health agency does not play a significant role in the strategic decisions made and that the factors associated with participation in assurance activities comes from macro factors outside of LPHA characteristics and/or from the population and environment. This study examined two population and environmental factors – state BMI level and presence of CDC funding designated to states for use for obesity prevention – and neither factor was found significant in the full model. State BMI level only showed influence in the bivariate and reduced models.

Presence of community-based partnerships was only significant in the model pertaining to policy development activities related to obesity prevention, holding all else constant. The Institute of Medicine states that the magnitude of the obesity problem in the U.S. is bigger than what government public health agencies can handle and recommends that public health engage in partnerships (Institute of Medicine 2003). The results of this study show that presence of community-based partnerships are associated with assessment activities related to obesity prevention in the bivariate and reduced models and with policy development activities in the bivariate, reduced and full models. In short, taking other variables into account, presence of community-based partnership is an important factor linked to participation in policy development and that community-based partnerships increase, so does participation in policy development activities. There is no such increase with assessment and assurance activities related to obesity prevention.

Participation in obesity prevention at the local level is certainly important, but challenging in light of competing priorities and diminishing revenues. With LPHAs being all things prevention to all people, securing community-based resources specializing in obesity prevention-related activities may be part of the most pragmatic and sustainable way to solve the obesity problem in the U.S.

Limitations

This study has a number of limitations. The NACCHO profile survey has not been tested for validity and reliability. Questions in the survey have weak face validity as wording used is subject to interpretation. For example, questions in the survey that pertain to obesity are not specific to either adult obesity, childhood obesity or both. In this study, obesity is assumed to pertain to adult only.

Proxy variables were created for some of the variables in the conceptual framework; use of different proxies could yield different results. For example, the presence of a terminal degree held by the agency’s top executive was used as a proxy for leadership. In addition, results may differ based on variables used. For example, there are other ways that partnerships with community-based organizations could have been analyzed; use of other variables also could yield different results. The percentage of federal funding above the national average received by LPHAs was used to represent funding mix in the conceptual framework; better proxy variables could be used and, thus, could have different results.
Conclusion

This study examined the relationship between various structural and environmental factors of LPHAs and participation in essential and core public health functions related to obesity prevention. The results showed that only a few factors within the conceptual frameworks developed by Mays et al. and Handler et al. have a significant influence on LPHA participation in obesity prevention.

The Institute of Medicine states that the most promising course for obesity prevention are population-based and multi-level, address environmental and policy change, and requires the assistance of multiple sources (Kumanyika and Institute of Medicine (U.S.).; Institute of Medicine (U.S.). 2010). Thomas Freiden makes recommendations similar to the Institute of Medicine’s course of action (Frieden 2010). As IOM and Frieden recommendations above were published after the time of the 2008 NACCHO survey, future research needs to determine if LPHAs are adhering to these important recommendations.

Future research needs to examine these significant variables, particularly community-based partnerships in more depth. Although this study shows an association between presence of community-based partnerships and policy development in the full model, the extent, nature, role, and effectiveness of the partnership in combating obesity prevention on the community level are not known.

In addition, future research should also involve understanding what activities are being performed within key essential public health functions and identify what factors influence the participation in key essential public health functions related to obesity prevention.

Of additional interest related to this study includes analysis pertaining to differences between rural and urban LPHAs as well as differences between LPHAs in the 16 Southern Obesity states and those LPHAs not in the 16 Southern Obesity states. As the obesity prevention problem continues to worsen, and while the community-based partnerships used in obesity prevention are not well understood, additional research is needed to understand the strength, roles and responsibilities, successes and obstacles faced by the LPHA/community-based organization partnership, especially in light of the strong IOM recommendation given to community-based partnerships. Understanding what may make partnerships successful could help create an obesity prevention model for LPHAs.

REFERENCES


THE COLLABORATION OF NOT-FOR-PROFIT HOSPITALS AND PUBLIC HEALTH DEPARTMENTS TO PERFORM COMMUNITY NEEDS ASSESSMENTS THAT MEET PPACA REQUIREMENTS

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ABSTRACT

The Patient Protection and Affordable Care Act (PPACA) has created an opportunity for not-for-profit hospitals and health entities to work together to implement community needs assessments. Historically, public health and medical professionals have had a difficult time working together due to philosophical differences. Not-for-profit hospitals now must meet PPACA requirements in order to maintain their tax-exempt status; therefore, hospitals recognize the necessity of collaboration. The community needs assessment may prove to be a successful process for both entities to showcase their unique strengths which will enable them to identify community-perceived health needs and to develop mechanisms to address these needs.

Keywords: collaboration, community needs assessment, tax-exempt status, not-for-profit hospitals, public health

The Patient Protection and Affordable Care Act (PPACA), signed in 2010 but still under a cloud of uncertainty as to how it will be implemented, will provide public health and not-for-profit hospitals a mechanism to analyze the health needs of the community and to develop programs which may improve a community’s health status (American Public Health Association, 2012). With specific mandates/regulations in-place, the more than 5,800 not-for-profit hospitals (Appleby, 2010) must work within the community with public health professionals to identify issues that impact quality of life. Not-for-profit health organizations had become a PPACA target because the Government Accountability Office (GAO) has determined that charitable care, the justification for tax-exempt status, was not being done by not-for-profit hospitals/organizations in an amount that should qualify them for tax exemption (Marietta, 2010; Walker, 2005; Commins, 2012). To ensure not-for-profits include input from the community as they develop appropriate health initiatives, PPACA has attached mandates to the Internal Revenue Services’ requirements for maintaining “charitable” status (Walker, 2005; Grassley, 2010). Equally important, PPACA requires that public health be an integral component of the community needs assessment (Marietta, 2010).

The medical and the public health communities have very different philosophies, values, and points of view. Historically, there has been, what sociologists would call, a boundary issue between medicine and public health. The issue involves the division of labor, conflicting skills and theories, and the balance of authority between the two related fields (Brandt & Gardner, 2000). The medical and public health models have different perspectives when it comes to focus of care, ethical basis, intervention strategies, and reimbursement (Mechanic, 1976; Turnock, 1997; Schneider, 2011). Therefore, when medical and public health personnel discuss issues, the
viewpoints seem disjointed, and it is not until commonalities can be established do the two camps have the ability to communicate effectively. It is only after finding common ground that both camps can appreciate what each can provide in a true collaborative effort. As Das and Teng (2000) stated “Firms cannot work together very well if they are too different in organizational cultures, managerial practices, strategic orientations, and technological systems” (pp. 51-52).

Medical knowledge has advanced tremendously during the past decades resulting in medical school curriculum that has become so crowded that the social importance of preventive medicine and public health is seldom emphasized. This gap in curriculum creates a blind spot that physicians carry throughout their professional career and results in misunderstandings between practicing physicians and the public health community (Brandt & Gardner, 2000). The medical model, because of the training provided to the medical personnel, focuses on the sick and the role the provider plays in healing the individual. The emphasis is on healing and thus implies a paternalistic status of the provider. The sick individual comes to the provider; the provider determines the illness; the provider instructs the patient as to how to recover; and the patient follows the physicians’ orders. If a patient does not recover, the provider first examines where the patient has gone awry – has the patient taken the medicine as prescribed; did the patient follow all orders as had been directed; where did the patient not following the provider’s guidance. Interventions are developed around and for the sick role, with little emphasis on prevention. Even health care funding in the United States does not prioritize preventing illness. For example, the average health expenditure per capita in the United States in 2010 for people younger than 65 was $4,255 (Health Care Cost Institute, 2012). However, according to the American Public Health Association, “only 3 cents of each dollar spent on health care in the U.S. (total public and private) go toward prevention” (2012, ¶4).

Unlike the medical model, the public health model has borrowed much of its philosophy from social science disciplines, and its emphasis is placed on preventing disease through community health efforts. The health of a community thus becomes the primary focus, and public health recognizes that the most cost effective way to have a healthy community is to prevent disease from occurring by promoting healthy life styles. The effectiveness of most public health prevention-oriented activities is less visible and therefore less money is allocated by federal and/or state governments for public health budgets. For example, in 1988, the United States spent approximately $18 billion on primary and secondary prevention activities (Turnock, 2007), which was 3.4 percent of the national health expenditure. In 2004, the amount of funds spent on primary and secondary prevention activities increased to $159.8 billion, but the percent of the national health expenditure for prevention increased less than 1 percent (from 7.3 percent in 1996 to 8.6 percent in 2004) (Turnock, 2007). If secondary prevention activities were excluded, the percent would further drop to a low of 4.2 percent (Turnock, 2007). This percent would further decrease to 2.8 percent should only public health expenditures be considered (Miller, Roehrig, Hughes-Cromwick, & Lake, 2008).

President Obama signed the Patient Protection and Affordable Care Act (PPACA) as a way to address accountability, quality, and access, and the ever escalating cost of healthcare. Parts of the bill already have been argued before the Supreme Court, yet the overall bill remains a mystery to most people in the United States. It also remains puzzling to those organizations and agencies who will be heavily involved in the implementation of the regulations. One of these groups is the not-for-profit hospital who offers charitable care.
Not-for-profit hospitals came under the Government Accountability Office’s (GAO) scrutiny over ten years ago when the hospitals were viewed as not providing charitable care in an amount that should qualify them for tax-exempt status. Since those initial concerns, many state watchdog groups uncovered collection practices, charging mechanisms, and eligibility procedures that were questionable, which created an environment which uninsured and/or poor patients perceived as hostile.

PPACA contains specific regulations regarding what not-for-profit hospitals must do in order to maintain their special tax status. It has attached these regulations to Internal Revenue Service (IRS) requirements, thus providing an existing structure by which to compel not-for-profit hospitals to address their process of providing care to the indigent.

In addition to addressing the fiduciary responsibilities of the not-for-profits to provide charitable care, the PPACA statues also require the non-for-profit hospitals to work with and through communities to identify and address health issues. PPACA is focused on health promotion and disease prevention and is also designed to reorient the financial incentives that drive provider activities toward the improvement of health outcomes. This focus necessitates an ongoing awareness of the health needs of the community. PPACA explicitly requires a community assessment and further requires that public health personnel be involved in the planning, implementing, and analyzing of health needs assessments. Recognizing the vast difference between theoretical concepts of medicine and public health, the development of a joint community needs assessment will most likely prove challenging for these two entities. Although PPACA regulations were to initiate in March 2012, many not-for-profit hospitals chose not to adhere to the regulations, hoping that PPACA would be overturned by the Supreme Court. On the other hand, some hospitals started needs assessments, with varying degrees of success. A main concern of many of the hospitals who began the process was the requirement of community involvement in the needs assessment process.

Historically, hospitals have performed needs assessments based on data generated from hospital records in order to identify areas of health/medical issues that the hospital should address. PPACA has created concern among not-for-profit hospitals regarding the most appropriate way to conduct community needs assessments and to capture information from community stakeholders that adequately address health needs (as opposed to medical needs) of the community. Finally, hospitals may be unsure how they can use information collected from community perceptions of health needs in the development of strategic plans for the hospitals themselves.

Case Study

The following case study may be useful in assisting not-for-profit hospitals, public health departments, and other community stakeholders to identify key components that should be included in the development of a needs assessment that meets the requirements of PPACA. Equally important is the consideration of what unique qualities that the not-for-profits and public health departments “bring to the table” and how these can be combined to create a strategy to address the health needs of the community. Analyzing the case study allow the reader to see how a not-for-profit hospital can work with university personnel trained in public health using existing validated community assessment instruments to analyze community health needs. This is an alternative should the community not have a local health department. The case study will provide the reader with strategies for increasing the effectiveness of the partnership of public
Health department personnel and not-for-profit hospitals regarding this crucial component of the PPACA. Finally, the case study will address the unique opportunity that health department personnel are afforded to showcase the “best practices” of community needs assessment.

In 2011, the CEO of a 32-bed rural hospital approached an associate professor and an assistant professor within a School of Health Administration about the possibility of facilitating a community health needs assessment that would meet PPACA requirements. The consultants were chosen because both had public health degrees, both had experience in public health— one serving as a county public health administrator and one having worked on numerous community needs assessments. The qualifications of these professors met the PPACA requirements for the input of public health professionals in the community health needs assessment process.

As the first order of business, the consultants met with the hospital’s board to ensure its full support and to determine the hospital’s definition of a community health needs assessment. The hospital provided previous needs assessments, which served as a template to educate the board and staff as to the need to learn what the community considered its health needs. Furthermore, the board, as well as the hospital, had to re-define the term “community.” Analysis of the hospital catchment area found the majority of patients came from the entire county, and thus the staff/board had to start thinking beyond the town in which the hospital was located.

After the consultants and Board of Directors more broadly defined the catchment area, the second step was to identify existing valid instruments that could be used to seek community input but also stay within the parameters established by the board of directors— limited time and limited funding. The consultants chose the Community Health Assessment and Group Evaluation (CHANGE) model that had been developed by CDC (US Department of Health and Human Services, 2011). Not only has CHANGE been validated, but it has been used throughout the United States in varying size communities to gather focused input from the community.

CHANGE involved a team approach to consider assets of the community as well as needs of the community. There were five sectors of the population involved in the focus groups. The marketing director of the local hospital supplied names of persons throughout the county who were from the five sectors— community-at-large, community institution/organizations, health care, schools, and worksite. For the case study, between 5-12 people attended the sessions; there was representation from the three towns/villages located within the central Texas county. Ages of the participants ranged between 25 and 66, an issue since elderly were not involved in the focus groups. To remedy this problem an additional telephone survey was added to the end of the assessment.

Four focus groups were created in half-day segments for all sectors except health care. In order to encourage health care input, the consultants met the providers at varying times throughout the workday in the hospital and outpatient clinic. The consultants met with the physicians at their monthly staff meeting. Hospital staff met in 2-hour segments, and the focus groups included 30-50% of the staff; this was to allow continuity of care while getting input from all levels of staff. This was to ensure a complete picture of perceived health needs of this group.

CHANGE was developed by CDC in a “forced” effort. Focus group members were asked their current knowledge of demographics, physical activity, nutrition, tobacco, chronic disease management, and leadership. Each focus group was charged with getting consensus of the extent to which these areas were included in community policy as well as which areas were already implemented within the county. After all focus groups had completed the CHANGE
instrument, the consultants analyzed the data for consistency as well as determined sectors that were viewed differently between the focus groups. In addition, each focus group was asked for specific recommendations they would like included in the community health needs assessment.

Upon completion of the focus groups, the consultants performed a telephone survey hoping to capture a greater percentage of the elderly of the county. The consultants used the LAN line concept, pulling random phone numbers generated from the county telephone book because they felt an older population would be more likely to have LAN lines within their homes. Surveys occurred in early evening (7-8:30 p.m.), Monday through Friday, as well as random times during the weekend. A total of 159 people responded to the survey, which consisted of 8 demographic questions and 18 survey questions. The respondents were also able to provide comments at the close of the survey.

The community health needs assessment yielded a variety of issues that were of concern to the citizens of the county. Many of the issues were not immediately viewed by the board of directors as areas which the hospital should address. Issues such as food deserts, school drop-out rates, increasing minority population were viewed by the community as important in health consideration. All focus groups identified health education as the top priority, and this was an area where the hospital and its providers could serve in a leadership capacity.

A major recommendation from the consultants was the need to develop a community health advisory board that would prioritize issues within the county and work collectively to address the problems. Once advisory boards were implemented, the hospital realized how its role would change as various issues were addressed. The hospital also recognized the impact that these health needs, which seemed to arise from social issues, had upon the hospital itself. These issues certainly had an impact, whether it was the quality of the staff being hired or the number of students who dropped out of school and thus could not get employment that offered insurance.

The Community Health Needs Assessment was incorporated into the local hospital’s 3 year strategic plan. The hospital is active on the local advisory boards, having identified an organization whose charge covers bringing stakeholders to the table. Since this county does not have a local health department, the consultants continue to serve in that capacity, although the regional and state health department are becoming more involved.

From a public health standpoint, partnering with a not-for-profit hospital to address community health needs should be a logical approach to addressing community issues. Public health personnel have the latest data on morbidity and mortality; they also have access to county, regional, state information that can put health and wellness into perspective. Public health already is involved in community activities, so their involvement in a needs assessment is an extension of their current focus. Much of the demographics of the county should be within the scope of the public health department, thus one less thing for the not-for-profit to do. In addition, because of the breadth of public health, not-for-profit hospitals can turn to public health personnel for answers to questions that may not be in the purview of the hospital.

Closing

Not-for-profit hospitals/organizations and public health agencies have the opportunity to collaborate and join their expertise in an endeavor that will benefit both organizations as well as the community at large. As a result of the failure of some not-for-profits to meet the requirements for IRS tax exempt status, PPACA now requires that not-for-profit hospitals and
public health agencies perform routine community health needs assessments. To ensure the needs assessments focus on the community, PPACA requires that public health professionals be involved in the activity. Once not-for-profit hospitals and public health departments identify their common ground, they can develop and implement a community health needs assessment that will benefit both organizations and, more importantly, the community.

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LEADER COMMUNICATION PREFERENCES – DIFFERENCES BETWEEN BABY BOOMERS, GENERATION X AND GENERATION Y

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Mark T. Green, Our Lady of the Lake University
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ABSTRACT

In this experimental study, participants randomly received one of six leader vignettes. In one version of the vignette, a fictitious leader lead by stopping by the cubicles of the employees in the vignette, and posting productivity graphs and community pictures in the break room. In a second version of the vignette the leader used email and the company intranet to provide feedback to employees, post productivity graphs and community images. In the third version the leader used social networking sites. Each vignette had a two versions, one in which the leader was named Michelle and another in which the leader was named Anthony.

Baby Boomer participants rated the vignette leader who stopped by the cubicle higher than the vignette leader who used email and the intranet. No differences were found for Generations Y and X.

INTRODUCTION – WORKPLACE GENERATIONS

Most organizations have workers representing three generations: Baby Boomers, Generation X and Generation Y. Definitions, however, vary for the age ranges of these generations. Underwood defines Baby Boomers as individuals born between 1943 and 1960 (Underwood, 2007). Comprising about 80 million members, the older segment of this cohort is characterized by the experiences of the turbulent 1960’s. This segment tends to question systems and searches for meaning in life. The younger segment of the Baby Boomers, however, is less idealistic. This sub-group tends to emphasize wealth and success.

Generation X was born between 1961 and 1980 (Underwood, 2007). At forty-six million, this generation is about half the size of the boomer generation. Lancaster and Stillman (2002) note that while boomers were known to be “optimistic,” Generation X is perhaps best described by the word “skeptical.” In contrast to the younger Baby Boomer “yuppie” mentality of working ever increasing work schedules, Generation X tends to stress work/life balance. As latch-key children, many members of Generation X learned from an early age to rely upon themselves to solve problems and meet basic needs.

Generation Y consists of about 76 million individuals. This is the first generation to grow up digital. While boomers tend to see technology as a tool to help their productivity, Generation Y sees technology as an integral part of life; similar to the air they breathe (Pickels, 2007). Whereas Generation X latch-key kids learned self-sufficiency, Generation Y has been overly supervised by what some authors call “helicopter parents” who have continually hovered around them to prevent injury or decreases in their self-esteem (Howe & Strauss, 2007; Underwood, 2007). Consequently, Generation Y looks to parents and workplace leaders for problem solution. This is
also the generation in which, “everyone received a trophy” regardless of whether they lost or won. As a result, Generation Y has an enlarged sense of entitlement and a need for constant praise (Hastings, 2009).

**UNIVERSAL LEADERSHIP BEHAVIORS**

To date, the largest study of international leadership preferences was the Globe Research Project (House et al., 2004). This study surveyed over 17,000 participants worldwide about what contributed to the participants’ concepts of outstanding leadership. The 17,000 participants were middle managers from 62 countries/societies.

The study measured six high-order dimensions of leadership. *Charismatic/value-based leadership* is the ability to inspire, to motivate, and to expect high performance outcomes from others based on firmly held core values. *Team-oriented leadership* emphasizes effective team building and implementation of a common purpose or goal among team members. *Participative leadership* reflects the degree to which managers involve others in making and implementing decisions. *Humane-oriented leadership* reflects supportive and considerate leadership but also includes compassion and generosity. *Autonomous leadership* reflects independent and individualistic leadership attributes. *Self-protective leadership* consists of ensuring the safety and security of the individual and group through status enhancement and face saving.

To simplify interpretation of global differences, the study created clusters of countries. The ten clusters created were Eastern Europe, Latin America, Latin Europe, Confucian Asia, Nordic Europe, Anglo, Sub-Saharan Africa, Southern Asia, Germanic Europe and the Middle East. Table 1 provides the means for each global cluster for each dimensions of leadership.

**Table 1 Leadership Preferences for 10 Global Clusters**

<table>
<thead>
<tr>
<th>Societal Cluster</th>
<th>CV</th>
<th>TO</th>
<th>P</th>
<th>HO</th>
<th>A</th>
<th>SP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastern Europe</td>
<td>5.74</td>
<td>5.88</td>
<td>5.08</td>
<td>4.76</td>
<td><strong>4.20</strong></td>
<td>3.67</td>
</tr>
<tr>
<td>Latin America</td>
<td>5.99</td>
<td><strong>5.96</strong></td>
<td>5.42</td>
<td>4.85</td>
<td>3.51</td>
<td>3.62</td>
</tr>
<tr>
<td>Latin Europe</td>
<td>5.78</td>
<td>5.73</td>
<td>5.37</td>
<td>4.45</td>
<td>3.66</td>
<td>3.19</td>
</tr>
<tr>
<td>Confucian Asia</td>
<td>5.63</td>
<td>5.61</td>
<td>4.99</td>
<td>5.04</td>
<td>4.04</td>
<td>3.72</td>
</tr>
<tr>
<td>Nordic Europe</td>
<td>5.93</td>
<td>5.77</td>
<td>5.75</td>
<td><strong>4.42</strong></td>
<td>3.94</td>
<td><strong>2.72</strong></td>
</tr>
<tr>
<td>Anglo</td>
<td><strong>6.05</strong></td>
<td>5.74</td>
<td>5.73</td>
<td>5.08</td>
<td>3.82</td>
<td>3.08</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>5.79</td>
<td>5.70</td>
<td>5.31</td>
<td>5.16</td>
<td><strong>3.63</strong></td>
<td>3.55</td>
</tr>
<tr>
<td>Southern Asia</td>
<td>5.97</td>
<td>5.86</td>
<td>5.06</td>
<td><strong>5.38</strong></td>
<td>3.99</td>
<td>3.83</td>
</tr>
<tr>
<td>Germanic</td>
<td>5.93</td>
<td>5.62</td>
<td><strong>5.86</strong></td>
<td>4.71</td>
<td>4.16</td>
<td>3.03</td>
</tr>
<tr>
<td>Middle East</td>
<td><strong>5.35</strong></td>
<td><strong>5.47</strong></td>
<td><strong>4.97</strong></td>
<td>4.80</td>
<td>3.68</td>
<td><strong>3.79</strong></td>
</tr>
</tbody>
</table>

Notes: CV – Charismatic/Value-Based, TO - Team Oriented, P – Participative, HO – Humane-Oriented, A – Autonomous SP – Self-Protective. Items shown underlined and in bold are highest and lowest societal preferences for that dimension of leadership.
In interpreting the scores, it is important to understand that participants responded to 112 leadership behaviors on a Likert scale that ranged from 1 – 7. A rating of 1 was actually a very strong, negative rating, indicating that the respondent believed that that leadership behavior greatly inhibits a person from being an outstanding leader. A rating of 7, on the other end of the Likert scale, represented a belief that that leadership behavior greatly contributes to a person being an outstanding leader. Scoring options of 2 or 6 represented somewhat inhibiting or somewhat contributing to outstanding leadership. Scoring options of 3 or 5 represented slightly inhibiting or slightly contributing to outstanding leadership. The middle Likert choice, 4, represents that that behavior has no impact on a person being an outstanding leader. Table 1 illustrates that charismatic/value based leadership and team-oriented leadership are desired in leaders worldwide.

Charismatic/Value based leadership, however, can be further clarified by considering fundamental or “first-order” dimensions. These include (a) Visionary Charisma - having foresight, being prepared, anticipatory and able to plan ahead (b) Inspirational Charisma - being enthusiastic, positive, a morale booster and a motive arouser and Self-Sacrificing Charisma – being a risk taker, self-sacrificial and convincing. Similarly, Team-Oriented leadership can be further divided into Collaborative Team Leadership - being group-oriented, collaborative, loyal and consultative and Team Integrator - being communicative, a team builder, informed and an integrator.

PURPOSE OF THE STUDY

The three generations represented in the United States workplace have had very different life experiences. This is particularly true for the amount of technology with which they have grown up. There is a small body of literature that indicates that these generations use technology to differing degrees. Project Globe found that there were universally desired aspects of leadership. What is unclear, however, is how technological attitudes impact the application of this leadership.

In this experimental study, participants randomly received one of six leader vignettes to read. In one version of the vignette, a fictitious leader engaged in team-building and motivational activities in a very traditional manner – stopping by the cubicles of the employees in the vignette, and posting productivity graphs and community pictures in the break room. The vignette had two versions, one in which the leader’s name was Michelle and an identical version in which the leader’s name was Anthony. A second version of the vignette portrayed the same team-building and motivational activities, but the leader used email and the company intranet to provide feedback to employees, post productivity graphs and community images. This vignette also had two versions, one with a leader named Michelle and an identical one with a leader named Anthony. The third version of the vignette portrayed the same leader activities, but the leader used social networking sites to motivate and build camaraderie among followers. The vignette also had versions with Michelle and Anthony.

At the end of each vignette, participants rated the leader in the vignette on the degree to which they believed the leader was engaging in inspirational charismatic and team integrator leadership. The medium through which the leader demonstrated inspirational charismatic and team integrator leadership was the experimental condition randomly manipulated among the participants.
PREVIOUS STUDIES

Techno-stress

Techno-stress has been defined as “a modern disease of adaptation caused by an inability to cope with new computer technologies in a healthy manner.” (Brod, 1984) While originally coined during an era in which workers were beginning to grapple with the introduction of desktop computers, the concept is still very relevant. Business Week (2005), for example, surveyed 8,000 international managers and found that 25% of the executives believed that their voice-mail and e-mail were unmanageable, and nearly 50% spend half a day to a full day every week on communications that are not useful for their work. Studies by Tarafdar, Tu, and Ragu-Nathan (2010) and Ragu-Nathan, Tarafdar, Ragu-Nathan, and Tu (2008) have found that techno-invasion is a significant contributor to techno-stress. Techno-invasion includes follower sentiments such as spending less time with family due to technology and feeling that one’s personal life is invaded by work technology.

Techno-therapy

Several studies, however, have discussed the inverse of techno-stress. What some authors call positive techno-stress and what this study calls techno-therapy exists when a symbiotic or synergistic relationship exists between an individual and technology. Multiple studies have found that internet or text-based communication can serve as techno-therapy, resulting in increased relationships and increased well-being (Liu & LaRose, 2008; Sheldon, 2008, Kraut, Brynin, & Kiesler, 2006; Tidwell & Walther, 2002). Other studies have found that communicating electronically can increase the number of relationships users form (Ellison, Steinfield, & Lampe, 2007; Valkenburg, Peter, & Schouten, 2006; Ward & Tracey, 2004). Studies have also found that using the internet for social purposes can increase users’ sense of well-being. (Leung, 2007; Valkenburg, Peter, & Schouten, 2006)

One indicator of technology use is how individuals obtain news about the world around them. Baby Boomers are most likely to rely on television news and newspapers while both Generation X and Y tend to use the internet just as much, if not more, for news. Over 75% of Generation Y have profiles on social networking sites (Pew Research, 2010). Dickey (2010) found that 97% of Generation Y participants studied used Facebook at least once each week.

Generational Work Values

Greenberger, Lessard, Chen and Farruggia (2008) found that Generation Y demonstrated a sense of entitlement to good grades which was not related to their actual academic abilities. Erickson (2009) found that members of Generation Y also wonder why they do not receive pay raises and promotions after six months on the job. A study conducted by PricewaterhouseCoopers (2008) found that corporate responsibility is critical to Generation Y, and that 88% indicated that they would seek an employer whose related values match their own. In a study of over 19,000 members of Generation Y, Ng et al. (2010) found that 68% of respondents expect to be promoted within the first 18 months in their first job. They rated opportunities for advancement as the most important of 16 job attributes.

Smola (2002) found that Gen-Xers in comparison to Baby Boomers wanted to be promoted more quickly than their older counterparts, were less likely to feel that work should be an important part of one’s life, and were generally found to be less loyal to the company and more
‘me’ oriented. Gen-Xers and Baby Boomers have also been found to differ with regard to their desire for fulfillment, desire for flexibility, and focus on monetary benefits. Gen-Xers want challenging tasks accomplished within the workday whereas Baby Boomers want their challenging tasks to be accomplished over several days; Gen-Xers want to have flexible hours whereas Baby Boomers prefer regularly scheduled hours; and Gen-Xers want a portable 401K with lump sum distribution whereas Baby Boomers want retirement plans with benefits (Rodriguez, Green, & Ree, 2003).

**Generational Differences in Perceptions of Leadership**

Arsenault (2004) found that Baby Boomers ranked honesty as more important in effective leadership than Gen-Xers and Generation Y did. Boomers also ranked caring as more important, whereas Gen-Xers and Generation Y ranked determination and ambition as more important. Baby Boomers and Gen-Xers ranked competence more important than Generation Y.

Sessa, Kabacoff, Deal and Brown (2007) found that Baby Boomers rated credibility, trustworthiness, listening well and being farsighted as the most important leadership attributes. These were generally shared with Generation X who ranked leader credibility, trustworthiness and farsightedness as the most important leadership attributes. While Generation Y rated listening well as a top attribute, their other top choices, however, were different. Generation Y participants rated leader dedication, focus, optimism and as their other most important leader attributes. Sessa et al., (2007) summarized the differences by indicating that Boomers value attributes that suggest a politically astute leader with experience, a big-picture orientation and a desire for a global leadership image and education. Gen-Xers value attributes that suggest an optimistic and persuasive leader with experience. Generation Y want a dedicated and creative leader who cares about them personally.

Warner and Sandberg (2010) found that those leading Generation Y should create room for as much autonomy as possible and should set broad and challenging targets and milestones. Gibson, Albion and Gutke (2010) found that Generation Y workers embrace collaboration through a shared leadership model. Gen Y employees seek change and challenge and they want managers to create clear, timely career paths. They value communication and prefer an environment of transparency and respect for staff (Health by Design, 2008).

**Table 2, Summary of Generational Differences**

<table>
<thead>
<tr>
<th></th>
<th>Generation Y</th>
<th>Generation X</th>
<th>Baby Boomers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Perceptions of Leadership</strong></td>
<td>Dedication</td>
<td>Credibility</td>
<td>Honesty, Credibility</td>
</tr>
<tr>
<td></td>
<td>Focus</td>
<td>Trustworthiness</td>
<td>Trustworthiness</td>
</tr>
<tr>
<td></td>
<td>Optimism</td>
<td>Far-sighted</td>
<td>Listening well</td>
</tr>
<tr>
<td></td>
<td>Follower Autonomy</td>
<td>Far-sighted</td>
<td>Far-sighted</td>
</tr>
<tr>
<td></td>
<td>Clear Career Paths</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Transparency</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Work Values</strong></td>
<td>Expectation of promotion</td>
<td>Work to Live</td>
<td>Live to Work</td>
</tr>
<tr>
<td></td>
<td>Concern for corporate responsibility</td>
<td>Job mobility</td>
<td>Company loyalty</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Flexibility</td>
<td></td>
</tr>
<tr>
<td><strong>Use of Texting</strong></td>
<td>Seen as a part of life</td>
<td>Used regularly</td>
<td>Often seen as an</td>
</tr>
</tbody>
</table>
INSTRUMENT

The fifteen questions from the Globe Leadership Survey that measure leading with inspirational charisma and team integration were used in the research. An exploratory factor analysis found that all 15 questions loaded on a single component with an Eigenvalue of 6.45, accounting for 46 percent of the variance in responses. Each of the 15 questions loaded on the single component with an Eigenvector score greater than 0.6. Consequently, the mean of these 15 questions was used as a single measure of charismatic and team oriented leadership.

RESULTS

Descriptive Statistics

There were 389 working adults who completed one of the six randomly distributed vignettes/surveys. The adults came from a variety of industries including education, manufacturing, law enforcement and multiple Fortune 500 companies. There were 293 Hispanic, 74 White and 14 Black participants. There were 147 male and 243 female participants. Participant age ranged from 18 to 65 with a mean of 31. When grouped by generation, there were 202 participants who were members of Generation Y, 119 who were members of Generation X and 68 who were Baby Boomers.

Table 3 provides the distribution of vignettes by generation. As can be seen, roughly one-third of each generation received either a vignette in which the leader stopped by the cubicle and posted information on a bulletin board in the break area, one-third received a vignette in which the leader emailed followers and posted information on the company intranet and one-third received a vignette in which the leader communicated with followers through a social networking site.

Table 3, Distribution of Vignettes by Generation

<table>
<thead>
<tr>
<th>Generation</th>
<th>Bulletin Board</th>
<th>Intranet</th>
<th>Social Media</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generation Y</td>
<td>70</td>
<td>70</td>
<td>62</td>
<td>202</td>
</tr>
<tr>
<td>Generation X</td>
<td>35</td>
<td>43</td>
<td>41</td>
<td>119</td>
</tr>
<tr>
<td>Baby Boomer</td>
<td>25</td>
<td>22</td>
<td>21</td>
<td>68</td>
</tr>
<tr>
<td>Total</td>
<td>130</td>
<td>135</td>
<td>124</td>
<td>389</td>
</tr>
</tbody>
</table>
Because the generations look at technology differently, an initial analysis was run to explore whether technology use had any impact on the ratings given to the leaders in the vignettes. Table 4 indicates that generally technology use was unrelated to perceptions of leadership for a) all participants, b) all three generations, and c) each version of the vignette.

To further analyze the impact of technology, an exploratory factor analysis was run for the six measures of participant technology use shown in Table 4. Two components were found that had an Eigenvalue greater than one. Eigen Vector scores for each component from a rotated model was then analyzed. The first component, which consisted of non-work related emailing, internet use and use of social media had an Eigenvalue of 2.1 and explained 35% of the variance in scores. The second component consisted of work related emailing and non work related texting. These scores loaded on this component with an Eigenvalue of 1.1 and explained 19.3% of the variance in scores. Based on the exploratory factor analysis, two composite technology scores were created. Table 5 indicates that in addition to the first order measures of technology shown in Table 4, neither second order composite technology score was related to ratings leadership.

Table 5, Correlations of Composite Technology Variables and Leadership Ratings

<table>
<thead>
<tr>
<th>Leadership</th>
<th>Non-work related email/internet/social media</th>
<th>Work related email/Non-work related text</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>.047</td>
<td>.056</td>
</tr>
</tbody>
</table>

Analysis of Co-Variance
To test whether the experimentally manipulated independent variables of the medium through which the leader communicated and the gender of the leader impacted the rating of the leader, a Five-Way Analysis of Co-Variance was run. The leadership rating was the dependent variable and the medium used in the vignettes, the gender of the leader in the vignettes and participant generation the independent variables. As an additional control, the two composite technology use scores were included as co-variates.

Table 6 illustrates that there was an overall difference in the ratings of leadership as a result of the generation of the participant and the medium used by the fictitious leader in the vignette. Four significant interaction effects were also found.

<table>
<thead>
<tr>
<th>Source</th>
<th>Type III Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-work related email/internet/social media</td>
<td>0.09</td>
<td>1</td>
<td>0.09</td>
<td>0.26</td>
<td>.61</td>
</tr>
<tr>
<td>Work related email/Non-work related text</td>
<td>0.16</td>
<td>1</td>
<td>0.16</td>
<td>0.47</td>
<td>.50</td>
</tr>
<tr>
<td>Vignette Leader Gender</td>
<td>1.26</td>
<td>1</td>
<td>1.26</td>
<td>3.72</td>
<td>.07</td>
</tr>
<tr>
<td>Vignette Medium</td>
<td>1.57</td>
<td>2</td>
<td>0.79</td>
<td>2.33</td>
<td>.05</td>
</tr>
<tr>
<td>Participant Generation</td>
<td>2.43</td>
<td>2</td>
<td>1.22</td>
<td>3.60</td>
<td>.03</td>
</tr>
<tr>
<td>Leader Gender * Medium</td>
<td>4.37</td>
<td>2</td>
<td>2.19</td>
<td>6.46</td>
<td>.00</td>
</tr>
<tr>
<td>Leader Gender * Generation</td>
<td>2.33</td>
<td>2</td>
<td>1.17</td>
<td>3.45</td>
<td>.03</td>
</tr>
<tr>
<td>Generation * Medium</td>
<td>3.34</td>
<td>4</td>
<td>0.84</td>
<td>2.47</td>
<td>.05</td>
</tr>
<tr>
<td>Leader Gender * Generation* Medium</td>
<td>3.48</td>
<td>4</td>
<td>0.87</td>
<td>2.57</td>
<td>.04</td>
</tr>
</tbody>
</table>

Figure 1 illustrates that members of Generation Y generally gave higher leadership scores to leaders across the vignettes than those of Generation X or Baby Boomers. This was confirmed with a Scheffe post-hoc test. This difference is likely a function of work experience. Members of Generation X and Baby Boomers have experienced more work and leadership situations during their lives and are likely a bit more critical of what constitutes good leadership than younger workers.
The results of the ANOVA and a subsequent Scheffe post-hoc test found that, overall, leaders who stopped by the cubicle and posted material in the break room were rated higher than leaders who used the intranet or social media to provide feedback and post material. This difference is shown in figure 2.

Figure 2. Leadership ratings by medium.

![Figure 2](image)

Figure 3 shows the interaction of medium used by the leader in the vignette, participant generation and rating given to the leader. The striking result is that Baby Boomer respondents rated the leader who stopped by the cubicle and used the break room for posting material higher than those who used the intranet, and, in turn, those that used social media. This pattern was statistically different than that of Generations Y and X. When a separate One-Way ANOVA was run for each generation, there was no statistical difference between the ratings Generation
Y and X gave leaders regardless of the medium used. The difference for Baby Boomers, however, was significant at $p < .01$.

Figure 4 illustrates the interaction of the gender of the leader in the vignette and the medium the leader used to communicate. The interesting finding here is that male leaders ($M = 3.78$) who used social media to communicate with the workers were rated higher than female leaders ($M = 3.50$) in the vignette who did the exact same leadership behaviors. A separate $t$-test found this difference to be significant $t(1,121) = 2.59, p = .01$.

The final two-way interaction effect that was significant was between the gender of the leader in the vignette and the generation of the participant in the study. Baby Boomer participants rated female leaders from the vignette lower than male leaders who engaged in identical behaviors. To further explore to what degree this difference was sexism, a separate One-way ANOVA was run for just Baby Boomers.
Figure 6 shows the results for differences in ratings given to female and male leaders in the vignettes and the gender of just Baby Boomer participants. Surprisingly, female Baby Boomers (M = 3.79) rated female leaders lower than male Baby Boomers (M = 3.31). This difference was significant t(1,66) = 2.40, p = .02

Communication Style Differences between Men and Women

A variety of studies posit that women and men communicate differently. According to Tannen (1990), for example, women tend to focus on intimacy while men prefer independence in their approaches to communicating with others. Many authors argue that fundamental differences in communication styles between women and men seem to develop at an early age. Boys are taught that language is a vehicle for accomplishing instrumental tasks, conveying important information, and maintaining status and autonomy, while girls are socialized to believe that language and talk are vehicles to express themselves, communicate feelings, and to develop intimacy and trust with others (MacGeorge, Graves, Feng, Gillihan & Burleson, 2004). Consistent with this theory, Michaud and Warner (1997) suggest women are more likely to be supportive in their communication styles while men are more likely to be avoidant. Studies indicate that when working with others, women have been found to smile more, to use their face
and hands to express feelings and to demonstrate more concern about those listening to them (Troemel-Ploetz, 1991; Tannen, 1990; Kanter, 1977).

**Gender Stereotypes and Leadership**

Eagly (2007) has argued that female leaders face a double bind. Societal stereotypes expect women to be communal, but effective leadership stereotypes expect them to be confident, aggressive and self-directing. Heilman and Eagly (2008) point out those female stereotypes, including the positive communal qualities such as warmth and gentleness, are often inconsistent with requirements to be successful. Taking 49 studies into account, Davison and Burke (2002) found females were preferred for jobs such as secretaries and directors of day care centers, whereas males were preferred for jobs such as auto salespersons and life insurance agents.

**Findings**

Interestingly, the results of the study found male leaders who used social media were rated as better leaders than female leaders who demonstrated the exact same leadership behaviors. Since females are often considered to be attentive, better listeners, responsive, and more effective in interpreting the content of emotional messages in their communication style (Burke & McKeen, 1988), the absence of face-to-face contact between the workers and the female leader illustrated in the vignette attributed to the significant differences in the workers perceptions of male and female leaders who used social media. In the vignettes, eliminating a forum for personal interaction for female leaders to establish a relationship with others with the purpose of gaining trust and understanding others’ perspective (Troemel-Ploetz, 1991; Tannen, 1990; Kanter, 1977), might have subliminally influenced participants to rate female leaders lower.

Figure 7 illustrates this possible explanation. Participants may have subliminally expected female leaders to be personable, use extensive facial expressions in communication, communicate feelings, and to develop intimacy and trust in their leadership – high relationship behaviors. The somewhat abbreviated stereotype of facebook postings participants imagined for female leaders may have been further interpreted as a lesser form of leadership than expected. Conversely, if the participant expectation for male leaders was task-oriented communication, the more communal and less work-oriented stereotype of facebook postings might have been
interpreted as increasing male leader relationship behaviors and in turn considered more effective leadership.

Implications
While it is tempting to think that leadership is mostly an interpersonal activity best done one-on-one, this study found expectations may be evolving across generations. Through this study we are able to witness the evolution of those generations that have grown up with technology. Baby Boomers rated leaders who stopped by cubicles higher than those who used intranet and in turn higher than social media. As Baby Boomers retire, the next generations may favor virtual communication over face-to-face interaction. Though Baby Boomers prefer one-on-one communication, this study found Generation X and Y had no preference.

Overall, female leaders were rated lower than male leaders when using social media. While it does not hurt men to be leaders using social media, there is a negative effect for female leaders using social media as a form of communication. Female leaders should carefully consider potential stereotyped reactions to using social media to interact with their followers.

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ABSTRACT
This research explored relationships between followers’ perceptions of elementary school principals’ Big Five Personality Traits, using the IPIP (Goldberg, 1999), and principals’ Leadership Styles, using the Multi-factor Leadership Questionnaire (Bass & Avolio, 2004). A sample of convenience (N = 242) consisting of elementary school teachers/paraprofessionals from eight elementary schools was used. The study found relationships between perceived personality traits and leadership styles. Open, Agreeable, and Emotionally Stable principals were perceived to be Transformational Leaders. Open and Emotionally Stable principals were also perceived as Transactional Leaders. When principals were rated as Conscientious and Emotionally Unstable, they were perceived as Passive-Avoidant Leaders.

INTRODUCTION
Leadership impacts the lives of many individuals and none more so than educational leadership. According to Moffet (1979), leadership is vital to education because leadership sets the foundation for learning. According to Bennis (1989), “To an extent, leadership is like beauty: It is hard to define, but you know it when you see it ” (p. 1). Leadership is like a tornado: leadership encapsulates everything in its path and leaves a lasting effect. As a result, change is imminent for those leaders who are truly effective. “Leadership is such a gripping subject that once it is given center stage, it draws attention away from everything else” (Gardner, 1990, xvi). Regardless of the many directions that a leader is pulled, keeping a clear vision for the organization is essential because the leader must lead with integrity, value, and trust with a purpose (George, 2003). According to Northhouse (2007), “Leadership is a process where an individual influences a group of individuals to achieve a common goal” (p. 3). Leadership is vital to education because leadership creates the foundation for the commitment to learning, especially in the elementary grade level. The role of the elementary school principal has undergone major changes that require the principal to have a refocused approach to maintaining the vision (Ferrandino, 2001).

Moffett, a principal, suggests that elementary schools are viewed as important institutions because elementary education is “the beginning of formal education for students” (Moffett, 1979, ¶ 5). The role of the principal in elementary schools is becoming more challenging. Principals are tasked with providing an environment that not only embraces creativity for learning, but also generates change elements that will create high performing schools (Moore, 2009). Along with
change comes the element of fear because risks will often be needed to implement change. Guiding individuals through change is an important task of leadership.

The impact of leadership in an educational setting is conducive to much scrutiny because schools are rated by results from state mandated tests and attendance, among other parameters. According to Davis, Darling-Hammond, LaPointe, and Meyerson (2005), principals play a crucial role in the guidance of successful schools; as a result, the principals are constantly being scrutinized to improve learning and teaching. Due to the demands placed on the principals, who are often seen as visionaries and leaders, the job of a principal can seem quite daunting. At this heightened level of school leadership, principals have a great impact on followers: teachers, paraprofessionals, students, and parents (Davis et al., 2005). Pressure is placed on principals to provide more learning opportunities in order to lead their school effectively, which has to do with the strengths of the principal (Lewis, Cruzeiro & Hall, 2007).

According to Connelly (2008), the principal’s role has become more complex, requiring principals to demonstrate courage, vision, and the skill to advocate in order for effective learning to take place for both students and adults. The principal is expected to be more of a transformational leader because the principal shares a vision, sustains it, and encourages others in a demanding, constantly changing society (Connelly, 2008).

Personal characteristics of a leader, such as abilities and personality, are direct antecedents of leader behavior, according to the multidimensional model of leadership (Chelladurai, 1980, 1993). It is one thing to rate one’s self and how one perceives one’s self to be a leader, but rating leadership is entirely different when rated by followers. Schyns and Sanders (2007) suggested it is imperative to determine the extent of the followers’ perceptions in order to gauge the real behavior of the leader. Felfe and Schyn’s (2010) study focused on the effect of followers’ evaluation of leadership based on perceptions and attributions. In this particular study, the influence of the follower’s personality on the follower’s perceptions of leadership within an organizational setting was analyzed. The results concluded that the follower’s personality does influence the perception of the leader’s transformational leadership and the follower’s commitment to the supervisor. This is just one example of how leaders are viewed by the followers.

Followers’ perceptions of the leader should provide valuable feedback because leaders do impact followers’. According to Lord and Maher (1991), being perceived as a leader affects social and self-evaluations as well as the ability to create or limit job opportunities. It also increases the ability of the leaders to utilize resources needed by their organizations. A school setting is no different for either the followers or leaders.

Over the years, much research has been conducted on leadership and personality to see if correlations exist. Kenny and Zaccaro (1983) noted that previous studies have failed to identify traits that are correlated to leadership because few of the same traits were being investigated across the studies. Using the Five-Factor Model of personality to organize the myriad of traits sheds considerable light on the dispositional basis of leadership (Judge, Bono, Llives, & Gerhardt,
Research does indicate that personality traits are related to leadership. In a 2002 meta-analysis of 222 correlations from 73 samples of the traits perspective in leadership conducted by Judge et al., the results suggested that extroversion was indeed related to the emergence of the leader rather than the effectiveness of the leader. Sociable and dominant individuals are more likely to assert themselves within group settings because they are extroverted, which is a part of the Big Five personality traits.

**STATEMENT OF THE PROBLEM**

Linking leadership and personality is critical in helping to identify a leader’s effectiveness in administrative roles at the elementary level. The ideal administrator will encompass certain characteristics that will enable the individual to make decisions so that followers will be able to attain success. Previous studies state that definite traits can be linked between personality and leadership, but the studies lacked a structure for personality (Judge et al., 2002). Prior studies between personality and leadership recognized leadership only in two categories: emergence and effectiveness (Judge et al., 2002).

**PURPOSE OF THE STUDY**

Research by Judge and Bono (2000), Judge et al. (2002), Karaköse (2008), and Chelladurai (1980, 1993), to name a few, has provided a plethora of information on leadership itself and how personality can affect the type of leader that an individual is or can become. Strides have been taken to address correlations between personality and leadership in individual studies as well as meta-analyses. The present study focused on elementary principals at a school district in South Texas to see if recent studies hold true within this population in regards to certain Big Five Personality Traits and the Full Range Leadership Model. Specifically, the present study examined whether there is a relationship between followers’ perceptions of the principals’ Big Five Personality Types (Openness, Conscientiousness, Extraversion, Agreeableness, and Neuroticism) and followers’ perceptions of the principals’ Full Range Leadership Model: Transformational, Transactional, and Passive Avoidant Leadership (Bass & Avolio, 2004), when controlling for age, education, ethnicity, gender, professional development, and tenure. For the purposes of this study, followers were defined as elementary teachers and paraprofessionals.

**LEADERSHIP AND ELEMENTARY ADMINISTRATORS**

Karaköse (2008) conducted a study to investigate perceptions of primary (elementary) schoolteachers on principal culture leadership behaviors. A one-way Analysis of Variance (ANOVA) was used to look at differences in cultural leadership based on experience. This study randomly selected 308 teachers and evaluated the teachers’ perceptions of the principal using the Cultural Leadership Scale (Karaköse, 2008). There were significant differences found for the principal’s cultural leadership ratings (affirmative) as a function of experience, $F(2,305) = 7.210; (p < .05)$. The Tukey HSD results indicated that teachers who taught from 1-10 years ($M$
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FOLLOWERS’ PERCEPTIONS OF PERSONALITY AND LEADERSHIP

Lord, De Vader, and Alliger (1986) conducted a meta-analysis of 27 studies analyzing relationships between personality traits and leadership perceptions. Results supported expectations with respect to gender (masculinity/femininity), intelligence, and dominance as related to leadership perceptions. The study found that personality traits were associated with leadership perceptions. Introversion/ extroversion were not good estimates of population values when contingency theories relating to perceptions of leadership effectiveness.

Moss and Ngu (2006) examined relationships between personality and influence towards leadership styles among 166 nursing employees in which only seven were male. The sample was taken from two public hospitals in Australia. The Neo-Five Factor Inventory (NEO-FFI; Costa & McCrae, 1992) was used to measure the Big Five Personality Traits and the Multi-Factor Leadership Questionnaire Form 5X Short (MLQ; Avolio & Bass, 2002) was used to measure leadership styles. Results from a regression analysis indicated that Extraversion and Conscientiousness were positively related to Transformational Leadership \( r = 2.00, p < .05 \). On the other hand, Agreeableness and Openness were inversely related towards Transactional Leadership \( r = -4.62, p < .05 \). Neuroticism was positively associated towards Laissez-Faire Leadership \( r = 2.15, p < .05 \).

Anderson and Vecchio (2009) examined agreements between leader effectiveness and various demographic attributes. For the study, 1,221 managers were examined via a 360° feedback as correlates of leadership effectiveness. Self, superiors, peers, and subordinates used the Leadership Circle Profile instrument to measure behavioral differences. A self-assessment was also used to measure leader effectiveness on a five-item Likert-scale. The participants were mostly comprised of males (61.7%) who were predominantly white (84.1%) and educated (87.7%). Ratings were also gathered from subordinates and peers. Results found relationships between the personality dimension of social dominance (Extraversion) for leader effectiveness and the feedback from peers \( r = .121, p < .05 \).

Although the present study examined the follower’s perceptions of the leader’s personality and leadership styles, most studies involving personality and leadership measure the personality of the leader as self-reported.

METHOD

The current study was conducted to determine if relationships existed between specific personality traits and specific leadership styles for elementary principals as perceived by followers when controlling for followers’ age, education, ethnicity, gender, professional development, and tenure. The participants’ demographic information was used as control variables. Two instruments were distributed to teachers and paraprofessional to rate their
elementary principals: the International Personality Item Pool (IPIP; Goldberg, 1999) for personality, and the Multifactor Leadership Questionnaire Rater Form (5X-short) (MLQ; Bass & Avolio, 2004) for leadership styles. The instruments were given to those participants choosing to voluntarily complete the surveys once they were given an informed consent describing the details of the study. Surveys were collected the day of distribution at each school.

**VARIABLES**

**Dependent Variables**

The dependent variables were the components of the Full Range Leadership Model: Transformational Leadership Style, Transactional Leadership Style, and Passive Avoidant Leadership Style. Transformational Leadership Style consists of Inspirational Motivation, Idealized Influence, Intellectual Stimulation, and Individualized Consideration. Transactional Leadership Style consists of Contingent Reward and Management-by-Exception-Active. The last component of the Full Range Leadership Model is Passive Avoidant Leadership Style, which consists of Management-by-Exception-Passive and Laissez-Faire.

- Full Range Leadership Model - a model of leadership based on over 100 years of research that includes Transformational Leadership, Transactional Leadership, and Passive Avoidant Leadership (Barbuto & Cummins-Brown, 2007).
- Transformational Leadership - involves a leader-follower exchange relationship in which the followers feel trust, loyalty, and respect toward the leader, and are motivated to do more than originally expected (Bass, 1985).
- Transactional Leadership - involves a leader-follower exchange relationship in which the follower receives some reward related to lower-order needs in return for compliance with the leader’s expectations (Bass, 1985).
- Passive Avoidant Leadership - part of the Full Range Model that includes Management-By-Exception-Passive and Laissez-Faire in which no action is taken until it is too late (Daft, 2008).

**Independent Control Variables**

The independent control variables consisted of the variables from the followers’ demographics: age, education, ethnicity, gender, professional development, and tenure.

**Independent Variables**

The independent variables consisted of the Big Five Personality Traits (Openness, Conscientiousness, Extraversion, Agreeableness, and Neuroticism).

- Big Five Personality Traits - five general dimensions that describe personality, Openness,
Conscientiousness, Extraversion, Agreeableness, and Neuroticism (Daft, 2008).

- **Openness** - the degree to which a person has a broad range of interests and is imaginative, creative, and willing to consider new ideas (Daft, 2008).
- **Conscientiousness** - the degree to which a person is responsible, dependable, persistent, and achievement-oriented (Daft, 2008).
- **Extraversion** - the degree to which a person is outgoing, sociable, talkative, and comfortable meeting and talking to new people, a Big Five Personality Trait (Daft, 2008).
- **Agreeableness** - the degree to which a person is able to get along with others by being good-natured, cooperative, forgiving, compassionate, understanding, and trusting (Daft, 2008).
- **Neuroticism** (emotional stability) - the degree to which a person is well adjusted, calm, and secure (Daft, 2008).

**STUDY HYPOTHESES**

H1: There is a relationship between the followers’ perceptions of the principal’s Big Five Personality Types (Openness, Conscientiousness, Extraversion, Agreeableness, and Neuroticism) and followers’ perceptions of the principal’s Transformational Leadership Style (Inspirational Motivation, Idealized Influence, Intellectual Stimulation, and Individualized Consideration) when controlling for the followers’ age, education, ethnicity, gender, professional development, and tenure?

H2: There is a relationship between the followers’ perceptions of the principal’s Big Five Personality Types (Openness, Conscientiousness, Extraversion, Agreeableness, and Neuroticism) and followers’ perceptions of the principal’s Transactional Leadership Style (Contingent Reward and Management-By-Exception-Active) when controlling for the followers’ age, education, ethnicity, gender, professional development, and tenure?

H3: There is a relationship between the followers’ perceptions of the principal’s Big Five Personality Types (Openness, Conscientiousness, Extraversion, Agreeableness, and Neuroticism) and followers’ perceptions of the principal’s Passive Avoidant Leadership Style (Management-By-Exception-Passive and Laissez-Faire) when controlling for the followers’ age, education, ethnicity, gender, professional development, and tenure?

**DATA COLLECTION**

**Participants**

The 242 participants for the sample of convenience study consisted of both teachers and paraprofessionals from eight elementary schools from a school district in South Texas. The mean age was 42.39 with a standard deviation of 10.6. Their educational levels consisted of high school (3.3%), some college (9.9%), bachelor’s degree (50.8%), and a master’s degree (35.5%).
The ethnicity of the participants is as follows: Hispanic 81.4%, White 18%, African American .8%, and Asian .4%. For analysis purposes for ethnicity, Whites, African Americans, and Asians were collapsed into “Other” category, the majority of which were White. The genders of the participants’ were 89.7% female and 10.3% male.

**Instruments**

The collection of data consisted of three sections: the demographic survey (follower information); *International Personality Item Pool* (IPIP) (Goldberg, 1999) used to measure the Big Five personality types, and The *Multifactor Leadership Questionnaire 5X-Short* (MLQ) (Bass & Avolio, 2004) in which the follower’s rated the principal’s leadership behavior.

**Personality**

The IPIP is a 50 question standard questionnaire used to measure the Big Five Personality Traits on a scale from 1 to 5 (1-Very Inaccurate, 2-Moderately Inaccurate, 3-Neither Inaccurate nor Accurate, 4-Moderately Accurate, and 5-Very Accurate). The reliability ranges from .82 to .93. Validity was established via factor analysis.

**Leadership**

The MLQ is a 45-question survey; one of the most respected and efficient instruments used to measure leadership styles of the Full Range Leadership Model. It uses a Likert scale and measures from 0 to 4 (0 - Not At All, 1- Once In a While, 2 -Sometimes, 3 - Fairly Often, and 4 - Frequently, If Not Always). The reliability ranges from .74 to .94.

**RESULTS**

Data analysis

Multiple regression analyses were conducted on each of the null hypotheses in which the significance level was at $p < .05$. For categorical variables that were significant, $t$-tests were conducted to interpret differences between the means.

**SUMMARY OF FINDINGS FOR FULL RANGE LEADERSHIP MODEL**

The following table lists descriptive statistics for the number of participants, mean, median, and mode of the Full Range Leadership Model, which are the dependent variables.

Table 1
*Summary of Findings for Full Range Leadership Model as Perceived by the Followers’*
The most frequent predictor for the entire Full Range Leadership Model was Neuroticism. The more Emotionally Stable and more active the teachers/paraprofessionals perceived the principals, the more Transformational and Transactional they rated the principal. The more Emotionally Unstable the teachers/paraprofessionals perceived the principals, the more Passive-Avoidant they rated the principal. Openness was the second most frequent predictor of both Transformational and Transactional Leadership. The more imaginative, had excellent ideas the teachers/paraprofessionals perceived the principals, the more Transformational and Transactional they rated the principal.

**DISCUSSION OF FINDINGS**

The results of this study shed light on how leaders are viewed from the followers’ perspective that differs from most self-assessed leader studies and leader demographics. The study findings indicate that the research study did not represent what previous literature had discovered in regards to Extraversion. Most studies are from self-assessment in terms of leadership and personality perceptions. Surprisingly, Extraversion was not significant in this study. The review of literature for leader demographics indicates that Extraversion is a predictor for Transformational Leadership. Speculation of possible range restriction on Extraversion (lower
variance) and Extraversion not being significant is reflected in the outcome of the current study. The findings seem to suggest that followers’ perceptions of elementary principals do differ from self-assessment. Most literature review is self-rated by the leader. In this particular study, the demographics of the followers were used as independent control variables while the followers’ perceptions of the elementary principals personality traits and leadership styles were rated. Consistent with literature reviewed on gender, females tend to rate leaders less Transformational than males.

SUMMARY OF FINDINGS AND DISCUSSION

Due to significance for each of the hypotheses, all of the null hypotheses were rejected. Contrary to literature review on relationships between personality and leadership styles for self-assessments, the findings follow the pattern of the Full Range Model for four out of the five personality traits (Openness, Conscientiousness, Agreeableness, and Neuroticism). Extraversion was not a predictor of leadership style as perceived by the followers. In other words, the relationships show a positive correlation starting at the top for Transformational Leadership Style and slowly digressing to a negative relationship for Passive Avoidant Leadership Style, just like the Full Range Leadership Model. The multiple regressions found the strongest predictor for the relationships when all five-personality traits were placed in one group to compete for significance. See figure 1 for a visual representation of the Full Range Leadership Model.

The findings paint an overall picture of how followers perceive their elementary principals leadership. The most frequent predictor of leadership style was Neuroticism (Emotional Stability). Neuroticism encompassed the entire range of the Full Range Leadership Model. The more emotionally stable the followers perceived the elementary principal, the more Transformational and Transactional they rated the principal.

The second most predictor of leadership style was Openness. Openness was correlated to both Transformational Leadership and Transactional Leadership, but not Passive Avoidant Leadership Style. The progression for the beta weights indicated the range of the Full Range Leadership Model. The more effective and active, the more Open the elementary principal was perceived as being Transformational and Transactional. Conversely, Conscientiousness was related to Passive Avoidant Leadership Style.

Agreeableness was only related to Transformational Leadership. Based on the results from the current study, the researcher can only speculate that followers prefer a Transformational and Transactional leader because the followers seem to like to be rewarded for performance, but also prefer to be left alone. The perceptions seem to represent the profession in that at the elementary level much contingent reward occurs because of the many testing parameters involved needed to comply with district and state guidelines.

LIMITATIONS OF THE STUDY
The current sample of convenience study was conducted by surveying participants (elementary teachers' and paraprofessionals’) from one school district in South Texas that was not necessarily representative of all elementary teachers and paraprofessionals perceptions. Specifically, eight out of a possible ten schools participated in the study. The study focused solely on one district. The sample was not random. The current study lacked diversity because it was predominantly Hispanic (81%). Unlike most previous literature review, this study used the perceptions of the follower’s rating the leaders’ personality traits and leadership styles versus the leaders’ self-assessment.

Figure 1: The Full Range Leadership Model Diagram

Note: The progression of the Full Range Leadership Model starts off at the top with Transformational Leadership being the most effective type of leadership and then slowly progressing down to Transactional Leadership, middle of the road leadership, and Passive Avoidant Leadership, or lack of leadership.
CONCLUSIONS

Effective leaders are constantly seeking ways to improve. Elementary principals are in the limelight because they tend to be scrutinized for an array of parameters in trying to run successful schools. The perspective of the follower does matter because perception is reality (Sosik, Avolio, & Jung, 2002). The current study analyzed each of the components of the Full Range Leadership Model and its components. Followers’ perceptions of the leaders can prove to be instrumental in helping the leader gauge his/her leadership style based on perceptions of followers’. In conclusion, it is evident that elementary principals are perceived to be more Transformational overall when they are: Open, Agreeable, and Emotionally Stable (score lower on Neuroticism) when rated by followers. Another conclusion is that elementary principals are also perceived to more Transactional when they are Open, score higher on Contingent Reward, and are Emotionally Stable (lower on Neuroticism). Lastly, elementary principals are perceived to be more Passive Avoidant overall when they are Conscientious and Emotionally Unstable (higher on Neuroticism).

Overall, the personality that the leader projects does impact the follower’s perception of the leadership style by the elementary principal. As a result, elementary principal’s need to understand that follower perceptions can prove to be useful for self-assessment and means for professional development should the leader choose to be effective an efficient. Perception is reality and perception does matter, according to the results of the current study.

RECOMMENDATIONS—IMPLICATIONS FOR FUTURE RESEARCH

Much research has been conducted on the relationship between personality and leadership, but the current study analyzed the relationships between the Full Range Leadership Model and
personality traits among elementary school principals from the followers’ perspective. However, recent studies by Cantu (2012) and Hesbrook (2012) have indicated that leadership styles of principals differ at the elementary, middle, and high school levels. So, the research questions from the present study should be expanded to include education level. Additionally, future research should include different geographical and demographic contexts, as well as self-assessments by the principals.

REFERENCES


THE RELATIONSHIP BETWEEN DIVERSITY AND THE MULTIDIMENSIONAL MEASURE OF LEADER-MEMBER EXCHANGE (LMX-MDM)

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ABSTRACT

Drawing upon the existing literature, this study investigated the relationship between Diversity – individualism, collectivism, and gender egalitarianism – and the Multidimensional Measure of Leader-Member Exchange (LMX-MDM). In this study of 300 working adults, we found that there was a significant positive relationship between Diversity and the four LMX dimensions of Contribution, Loyalty, Affect, and Professional Respect. Collectivism and religious affiliation were both strong predictors with regard to Contribution. With regard to the dimension of Loyalty; collectivism, gender egalitarianism, and age helped to increase ratings of the supervisor and perceptions of leadership. Affect only had one significant predictor, collectivism. The LMX dimension of Professional Respect was found to have four significant predictors, including collectivism, religious affiliation, age, and years as a manager. Further regression analysis indicated that the Diversity dimension, Collectivism, was the driving factor of the relationship. This outcome indicated that Collectivism was a strong predictor of how positively participants rated their attitudes toward their immediate supervisor and perceptions of leadership. The results of this study indicate that a relationship does exist between Diversity and the Multidimensional Measure of Leader-Member Exchange. Furthermore, it strengthens the argument that organizations must be prepared to re-evaluate their policies with regard to diversity in the organization, particularly with respect to Collectivism.

Introduction

Literature in organizational behavior and industrial and organizational psychology have generally been mixed on the relationship between diversity and the leader-member exchange model. Previous studies (Williams & Bauer, 1994; Gilbert & Stead, 1999; Avery, 2003) overlooked the quality of applicants who are attracted to diversity management. Other studies, such as Cox and Blake (1991), Agocs and Burr (1996), and Robinson and Dechant (1997) proposed that diversity management reduces turnover and absenteeism, attracts the best workers, increases sales and marketing efforts, enhances creativity and innovation, and improves decision making. More recent studies (Herrera, Duncan, Green, Ree, & Skaggs, 2011; Shen, D’Netto, & Tang, 2010; Bell, Villado, Lukasik, Belau, & Briggs, 2011) further indicate that organizational diversity helps foster positive individual and team performance relationships.

Recent studies in the workforce have shown that by the year 2020 there will not be enough replacement workers to fill the void by those retiring (Somers, Finch, & Birnbaum 2010). To make up for this loss, leaders will need to come up with ways to transfer knowledge from older workers to new workers, retain their existing workforce, and to fill vacancies from a decreasing number of available candidates (Meyers & Dreachslin, 2007). According to Meister and Willyerd (2010), there will be a dramatic change in the composition of the American
workforce. In *The 2020 Workplace*, they write that the workplace of the future “will be one that provides workers a personalized, social experience which attracts, develops, and engages employees across all generations and geographies” (p. 72). This will require leaders whose management styles create and enforce this type of environment. One of the key instruments that can measure this relationship between the leader and the employee is the *Multidimensional Measure of Leader-Member Exchange* (LMX-MDM).

The 2020 workforce crisis was first acknowledged more than 20 years ago by Paul Volcker, former Federal Reserve Board Chairman (Charles, 2003). He further added that this deficit was occurring at the same time when the demographics of the population were changing. Johnston and Packer (1987), in their Hudson Institute’s *Workforce 2000* report, also forecasted a decrease in workforce growth as well as an accelerated growth of women and ethnic minorities in the years to follow. Based on these findings, some organizations made the decision to become more inclusive, integrating women and people of color. The Hudson Institute subsequently followed up with another report, *Workforce 2020*, which predicted even more gradual changes in the workforce (Judy & D’Amico, 1997). The study forecasted a steady increase in the number of women in the workforce, as well as a growth in minorities. The report further asserted that women of all races would constitute half of the entire workforce by 2020.

The distribution of the workforce is even more demographically diverse than ever before. This makes incorporating diversity initiatives into human resource planning even more crucial. Managing diversity in the workplace will be just as crucial as organizations make provisions for this increase in women, minorities, and older workers in the next decade. One way for organizations to confront this challenge will be not only to continue any diversity efforts already in place, but to become more diverse within its ranks.

This study attempts to examine the relationship between the *Multidimensional Measure of Leader-Member Exchange* (LMX-MDM) and Diversity. We selected the GLOBE study (House, Hanges, Javidan, Dorfman, & Gupta, 2004, p. xv) components of Individualism, Collectivism, and Gender Egalitarianism as measures of diversity for the present study because we believe that (a) the components of individualism, collectivism, and gender egalitarianism in an organizational context has a significant influence on employee’s perceptions of their supervisor’s leadership style and (b) no studies to our knowledge have investigated the relationship between these three constructs and LMX dimensions. Taking the lead from recent literature, we hypothesize that the GLOBE dimensions that espouse Diversity-Individualism, Collectivism, and Gender Egalitarianism are associated with multidimensional measures of Leader-Member Exchange (LMX). In other words, leaders who possess the GLOBE dimensions of Individualism, Collectivism, and Gender Egalitarianism are likely to exhibit increased behaviors associated with multidimensional leadership.

Consequently, making a business case for diversity alone is no longer adequate. Organizations must not only focus on the strategic dimension of diversity policies and processes, but also on the dimensions of leadership that impact the leader-member exchange relationship and organizational outcomes. Not until this is acknowledged can the full benefits of organizational diversity be achieved.

**Diversity**

Initial research on diversity was mainly focused on the problems associated with diversity, such as discrimination, bias, affirmative action, and tokenism (Shore, Chung, Dean, Ehrhart,
As the diversity field has evolved, researchers have focused on ways in which diversity can harness the most from diverse employees, eliminate conflict in the workplace, and enhance organizational performance outcomes (Herrera, Duncan, Green, & Skaggs, 2012; Gonzalez & DeNisi, 2009; Homan, Hollenbeck, Humphrey, van Knippenberg, Ilgen, & Van Kleef, 2008). Since diversity is essentially about cultural norms and values, the focus is on creating a truly inclusive work environment where individuals from diverse backgrounds feel valued and respected. This culture of inclusion is an organizational environment that recruits people of different backgrounds and ways of thinking who work together and perform to their highest potential to achieve organizational objectives. Not until this is acknowledged, and diversity is culturally valued, can the full benefits of diversity be achieved which may include attracting and retaining the best candidates, higher creativity and innovation, better problem solving, and more organizational flexibility (Cox & Blake, 1991). Following is diversity defined, as well as the cultural dimensions of individualism, collectivism, and gender egalitarianism that were selected for this study as measures of diversity.

1. **Diversity**, or workforce diversity, is defined as “the uniqueness of all individuals, which encompasses differences and similarities in personal attributes, values, work and life experiences, and organizational roles” (Carr-Ruffino, 1992).

2. **Individualism** is defined as the degree to which individuals express pride, loyalty, and cohesiveness in their organizations or families (House et al., 2004).

3. **Collectivism** is defined as the degree to which organizational and societal institutional practices encourage and reward collective distribution of resources and collective action (House et al., 2004).

4. **Gender Egalitarianism** is defined as the degree to which an organization or society minimizes gender role differences while promoting gender equality (House et al., 2004).

**Multidimensional Measure of Leader-Member Exchange (LMX-MDM)**

Over the past few decades the LMX model has emerged as one of the most enduring theories for characterizing leadership behavior and understanding its consequences (Liden, Sparrowe, & Wayne, 1997; Nahrgang, Morgeson, & Ilies, 2009; Schriesheim, Castro, & Cogliser, 1999). The theoretical basis for the LMX theory is the concept of the “negotiated” role that both the leader and subordinate assume in their respective positions. This model stipulates that leaders have a vested interest in the performance of their subordinates and will demand certain expectations. This “interpersonal exchange relationship” in part determines the type of role that the subordinate will assume within the organization (Graen, 1976, p. 1206). Due to time constraints, the leader is only able to develop a close relationship with a select few. As a result, two types of leader-member exchanges transpire: the in-group category (characterized by high trust, interaction, support, and rewards) and the out-group (characterized by low trust, interaction, support, and rewards).

Previous research has shown that the Leader-Member Exchange Theory follows one of two types, one that is unidimensional and the other being multidimensional. Early research showed the LMX to be unidimensional and based upon the work behaviors of leaders and subordinates, thus representing the role theory (Graen, 1976; Graen & Scandura, 1987; Graen & Uhl-Bien, 1995). The multidimensional theory stresses that roles are multidimensional and include those that focus on their tasks while neglecting social interactions, some that focus on
social interaction and not tasks, and others that may be weak or strong on both dimensions (Graen, 1976; Katz & Kahn, 1978; Jacobs, 1971).

Following Dienesch and Liden (1986), Liden and Maslyn (1998) proposed that the LMX model is associated with the multidimensional dimensions of Contribution (the perception of the amount, direction, and quality of work-oriented activity each member puts forth toward the mutual goals, explicit or implicit, of the dyad), Loyalty (the extent to which both leader and member publicly support each other's actions and character), and Affect (the mutual affection members of the dyad have for each other based primarily on interpersonal attraction rather than work or professional values). In addition to the three dimensions identified by Dieneresch and Liden, the study by Liden and Maslyn on the LMX as a multidimensionality construct, provided support for a fourth dimension, Professional Respect (the perception of the degree to which each member of the dyad has built a reputation, within and/or outside the organization, of excelling at his or her line of work). Leaders who possess and implement the characteristics of diversity may be associated with the leader-member leadership exchange model for several reasons. The diversity dimension of individualism is likely to be associated with Loyalty, as this involves a faithfulness to the individual that is generally consistent from situation to situation. Collectivism, which is associated with the extent to which the supervisor provides resources and opportunities for completed tasks that extend beyond the job description and/or employment contract, is likely to be associated with Contribution. Gender egalitarianism involves providing a level of regard or respect to each member of the dyad without regard to gender. Employees are likely to respect and identify with a leader who is considerate and is willing to help employees to be effective and improve their job performance. Therefore, the Gender Egalitarianism dimension of Diversity is likely to be associated with Professional Respect.

Developed by Liden and Maslyn (1998), the LMX model is a widely used instrument to assess the four aspects of Leader-Member Exchange which include the dimensions of Affect, Loyalty, Contribution, and Professional Respect.

Research Propositions

In this paper, we will attempt to address the significance of diversity as it relates to the Leader-Member Exchange Model. We begin by presenting a discussion on the importance of diversity. A theoretical framework is presented using the GLOBE study components of Individualism, Collectivism, and Gender Egalitarianism as measures of diversity for the present study. This is followed by a review of the recent literature on the Leader-Member Exchange Theory that addresses leadership behavior. Results of this study indicated that the diversity dimension, collectivism, was the driving factor of leadership effectiveness, through the use of the LMX model. Following are the proposed hypotheses for this study:

Hypotheses 1: The Diversity dimension of Individualism is positively associated with the multidimensional measure of leader-member exchange.

Hypotheses 2: The Diversity dimension of Collectivism is positively associated with the multidimensional measure of leader-member exchange.

Hypotheses 3: The Diversity dimension of Gender Egalitarianism is positively associated with the multidimensional measure of leader-member exchange.

METHODS
**Instruments**

The participants in this study were provided with three instruments to complete. The first instrument was the LMX-MDM model, which consisted of the four dimensions of Contribution, Loyalty, Affect, and Professional Respect. The purpose of this 12-item questionnaire was to measure the subordinate’s attitudes toward their immediate supervisor and perceptions of leadership. Respondents were asked twelve questions on a Likert scale of 1 representing strongly agree, 4 representing neither disagree nor agree, and 7 representing strongly disagree. These scores were reversed-scored to coincide with the original empirical scale which asked the twelve questions on a Likert scale of 1 representing strongly disagree, 4 representing neither disagree nor agree, and 7 representing strongly agree, identified by Liden and Maslyn (1998). The participants were then asked to complete a diversity questionnaire. The three dimensions of Diversity, Individualism, Collectivism, and Gender Egalitarianism were measured with eleven questions from the GLOBE research survey. Since we were mainly interested in how diversity and organizational practices were perceived by participants participating in this research, only the questions dealing with the Diversity dimensions of Individualism, Collectivism, and Gender Egalitarianism were asked in this survey. Questions 1 and 3 on Individualism, and questions 4, 5, 6, and 8 on Collectivism were reversed-scored according to the Syntax for GLOBE National Culture, Organizational Culture, and leadership Scales. Finally, participants were asked to complete the demographic questions from the GLOBE Survey, which consisted of 27 questions.

**Participants**

A total of 300 working adults participated in this study. Of those, 185 (61.7%) were women and 115 (38.3%) were men. Thirty-nine percent of the respondents self-reported as Hispanic, while participants who self-reported as White, Caucasian, or Anglo constituted 38% of the sample. Participants who self-reported as Black, or African American constituted 16% of the sample. The remaining 7% identified themselves as American Indian, Asian Indian, Korean, or Other Pacific Islander. Participants ranged in age from 18 to 78; 37.3% were 18 to 30 years old, 24.0% were 31 to 40, 22.7% were 41 to 50, 13.7 were 51 to 60, and 2.3% were 61 to 78 years of age. Ninety-eight respondents (32.9%) had earned less than an undergraduate degree, 107 respondents (35.9%) held a bachelor’s degree, and 95 respondents (31.2%) had earned postgraduate degrees. On religious affiliation, 87.6% of the respondents indicated a religious affiliation while 12.4% indicated no religious affiliation.

**RESULTS**

In this analysis, the four LMX dimensions of Contribution, Loyalty, Affect, and Professional Respect were used as the dependent variables. The three Diversity dimensions of Individualism, Collectivism, and Gender Egalitarianism were used as the independent variables. The control variables consisted of age, gender, religious affiliation, years of work experience, years of education, ethnicity, years as a manager, tenure in current job, and number of direct reports.

Likert scales were used in the diversity questionnaire to measure participant’s attitudes toward diversity in their organization. The reliability of the Likert scales resulted in a Cronbach α of 0.6, which indicated that the questions measuring attitudes toward diversity, were moderate to highly correlated with each other. The mean scores for each of the questions ranged from 3.82
to 4.39, on a scale of 1 being a strong measure of diversity attitudes in the organization, 7 being a weak measure of diversity attitudes in the organization, and 4 being undecided. Ultimately, all questions with respect to Individualism, Collectivism, and Gender Egalitarianism that measured diversity were summed into one variable that was labeled DiversityAvg. An overall mean score of 4.48 on a scale of 1-7 indicated that attitudes toward diversity for all surveys combined ranged between average and strong.

A Pearson’s correlation of the LMX model was run using the LMX dimensions of Contribution, Loyalty, Affect, and Professional Respect and the Diversity dimensions of Individualism, Collectivism, and Gender Egalitarianism. The results of this correlation in Table 1a indicated that the independent variable labeled DiversityAvg was significant and found to be positively correlated with the dependent variable labeled LMXQuality ($r = 0.42$, $p < 0.01$), Contribution ($r = 0.24$, $p < 0.01$), Loyalty ($r = 0.35$, $p < 0.01$), Affect ($r = 0.40$, $p < 0.01$), and Professional Respect ($r = 0.41$, $p < 0.01$).

Table 1a. Pearson’s Correlations on LMX Dimensions and Diversity

<table>
<thead>
<tr>
<th></th>
<th>LMXQuality</th>
<th>Age</th>
<th>Religious Affiliation</th>
<th># Direct Reports</th>
</tr>
</thead>
<tbody>
<tr>
<td>LMX Quality</td>
<td>Pearson Correlation</td>
<td>1</td>
<td>0.91</td>
<td>.132*</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>298</td>
<td>.116</td>
<td>.023</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td></td>
<td></td>
<td>298</td>
</tr>
<tr>
<td>Age</td>
<td>Pearson Correlation</td>
<td>-.091</td>
<td>.110</td>
<td>.132*</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.116</td>
<td>300</td>
<td>.023</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>298</td>
<td></td>
<td>296</td>
</tr>
<tr>
<td>Religious Affiliation</td>
<td>Pearson Correlation</td>
<td>.132*</td>
<td>.110</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.023</td>
<td>.058</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>296</td>
<td>298</td>
<td></td>
</tr>
<tr>
<td># Direct Reports</td>
<td>Pearson Correlation</td>
<td>-.056</td>
<td>265**</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.358</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>272</td>
<td>274</td>
<td></td>
</tr>
<tr>
<td>Individualism Mean</td>
<td>Pearson Correlation</td>
<td>.065</td>
<td>.048</td>
<td>.111</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.266</td>
<td>.410</td>
<td>.055</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>298</td>
<td>299</td>
<td>297</td>
</tr>
<tr>
<td>Collectivism Mean</td>
<td>Pearson Correlation</td>
<td>.543**</td>
<td>-.214**</td>
<td>.127*</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.029</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>298</td>
<td>299</td>
<td>297</td>
</tr>
<tr>
<td>Gender Egalitarianism Mean</td>
<td>Pearson Correlation Sig. (2-tailed)</td>
<td>N</td>
<td>.049</td>
<td>.398</td>
</tr>
<tr>
<td>---------------------------</td>
<td>-------------------------------------</td>
<td>---</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td>DiversityAvg Pearson Correlation Sig. (2-tailed)</td>
<td>N</td>
<td>.423**</td>
<td>.000</td>
<td>298</td>
</tr>
</tbody>
</table>

*Correlation is significant at the 0.05 level (2-tailed).
**Correlation is significant at the 0.01 level (2-tailed).

Table 1b. Pearson’s Correlations on LMX Dimensions and Diversity

<table>
<thead>
<tr>
<th>LMX Quality</th>
<th>Pearson Correlation Sig. (2-tailed)</th>
<th>N</th>
<th>.065</th>
<th>.266</th>
<th>298</th>
<th>.543**</th>
<th>.000</th>
<th>298</th>
<th>-.049</th>
<th>.398</th>
<th>298</th>
<th>.423**</th>
<th>.000</th>
<th>298</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age Correlation</td>
<td>Pearson Correlation Sig. (2-tailed)</td>
<td>N</td>
<td>.048</td>
<td>.410</td>
<td>299</td>
<td>-.214**</td>
<td>.000</td>
<td>299</td>
<td>.055</td>
<td>.343</td>
<td>299</td>
<td>-.106</td>
<td>.068</td>
<td>299</td>
</tr>
<tr>
<td>Religious Correlation Affiliation</td>
<td>Pearson Correlation Sig. (2-tailed)</td>
<td>N</td>
<td>.111</td>
<td>.055</td>
<td>297</td>
<td>.127*</td>
<td>.029</td>
<td>297</td>
<td>-.066</td>
<td>.259</td>
<td>297</td>
<td>.126*</td>
<td>.030</td>
<td>297</td>
</tr>
<tr>
<td># Direct Correlation Reports</td>
<td>Pearson Correlation Sig. (2-tailed)</td>
<td>N</td>
<td>-.014</td>
<td>.817</td>
<td>273</td>
<td>-.144*</td>
<td>.017</td>
<td>273</td>
<td>.097</td>
<td>.110</td>
<td>273</td>
<td>-.075</td>
<td>.217</td>
<td>273</td>
</tr>
<tr>
<td>Individualsim Correlation Mean</td>
<td>Pearson Correlation Sig. (2-tailed)</td>
<td>N</td>
<td>1</td>
<td>.075</td>
<td>299</td>
<td>.0196</td>
<td>.196</td>
<td>299</td>
<td>-.052</td>
<td>.369</td>
<td>299</td>
<td>.488**</td>
<td>.000</td>
<td>299</td>
</tr>
<tr>
<td>Collectivism Correlation Mean</td>
<td>Pearson Correlation</td>
<td></td>
<td>.075</td>
<td>1</td>
<td>.036</td>
<td>.543</td>
<td>.196</td>
<td>.017</td>
<td>-.144*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Multiple regression analysis was conducted on the dependent variable LMXQuality, using the stepwise method to determine which, if any, of the diversity dimensions had any relationship with the LMX model. Results of the regression analysis provided in Table 2 indicated that the Diversity dimension, Collectivism, was the driving factor of the relationship ($\beta = .539$, $p = .00$). Thus, results showed that the more collectivistic the respondents believed their organizations’ work culture to be the more positively they rated their immediate supervisor and perceptions of leadership.

Table 2. Regression coefficients for the LMX Dependent Variable: LMXQuality

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Religious Affiliation</td>
<td>74.530</td>
<td>3.229</td>
<td>.137</td>
</tr>
<tr>
<td>2</td>
<td>(Constant)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Religious Affiliation</td>
<td>74.409</td>
<td>3.282</td>
<td>.139</td>
</tr>
<tr>
<td></td>
<td>Ethnicity</td>
<td>.105</td>
<td>.480</td>
<td>.014</td>
</tr>
<tr>
<td>3</td>
<td>(Constant)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Religious Affiliation</td>
<td>75.393</td>
<td>3.443</td>
<td>.144</td>
</tr>
<tr>
<td></td>
<td>Ethnicity</td>
<td>.122</td>
<td>.491</td>
<td>.016</td>
</tr>
<tr>
<td></td>
<td>Yrs as Manager</td>
<td>.143</td>
<td>.117</td>
<td>.088</td>
</tr>
</tbody>
</table>

*Correlation is significant at the 0.05 level (2-tailed).
**Correlation is significant at the 0.01 level (2-tailed)
As shown in Table 3, the results of a multiple regression analysis of Total LMX Quality, consisting of participant age, gender, religious affiliation, years of education, and years of work experience in block one, ethnicity in block two, and years as a manager, tenure in the current job, and number of direct reports in block three, and each of the Diversity dimensions of Individualism, Collectivism, and Gender Egalitarianism, indicated that there were two significant
reduced models. Collectivism and religious affiliation were both predictor variables with regard to participant’s ratings of diversity in the organization and their attitudes toward their immediate supervisor and perceptions of leadership. Results of the regression analysis provided in Table 2 indicated that the diversity dimension, collectivism, was the driving factor causing the significant influence ($\beta = .539$, $p = 0.00$). The initial correlation in Table 1 between each of the four dimensions of LMX and the three dimensions of diversity used in this study indicated that diversity was a significant predictor of the dependent variable, LMX Quality. Further regression analysis, using the stepwise method, indicated that the diversity dimension, Collectivism, was the driving factor of this relationship, thus supporting Hypothesis 2. This result indicates that the more collectivistic the respondents believed the work culture to be, the more positively they rated their immediate supervisor and perceptions of leadership ($(R^2 = 0.31$, $p = 0.00$; $\beta = 0.539$, $r_p = .531$, $p = 0.00$).

Religious affiliation, as a control factor, accounted for 1.9% of the variance in the relationship ($\beta = .139$, $r_p = .138$, $p = .028$). Those who indicated religious affiliation rated high on collectivism. They also regarded their relationship with their immediate supervisors more positively, with a higher LMX rating.

The results of a multiple regression using the same predictor variables and the criterion variable of LMX Contribution again had two significant predictors, collectivism ($R^2 = 0.102$, $p = 0.00$; $\beta = 0.249$, $r_p = .247$, $p = 0.00$), and religious affiliation which accounted for 2.4% of the variance in the relationship ($\beta = -.159$, $r_p = -.158$, $p = .012$). Results found the diversity dimension, Collectivism, to be the driving factor of this relationship, reaffirming Hypothesis 2. Having a religious affiliation and the more collectivistic the organizational culture, the more positively the respondents rated their relationship quality with the leader-member exchange (LMX). Table 4 provides the results for this multiple regression analysis.

Table 4. Multiple regression analysis for LMX Contribution

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Std. Error of the Estimate</th>
<th>Change Statistics</th>
<th>Sig. F Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Change</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>R Square Change</td>
<td>F Change</td>
<td>df1</td>
</tr>
<tr>
<td>1</td>
<td>.155*</td>
<td>.024</td>
<td>1.07441</td>
<td>.024</td>
<td>6.283</td>
</tr>
<tr>
<td>2</td>
<td>.156b</td>
<td>.024</td>
<td>1.07647</td>
<td>.000</td>
<td>.028</td>
</tr>
<tr>
<td>3</td>
<td>.208c</td>
<td>.043</td>
<td>1.07224</td>
<td>.019</td>
<td>1.666</td>
</tr>
<tr>
<td>4</td>
<td>.319d</td>
<td>.102</td>
<td>1.04123</td>
<td>.058</td>
<td>16.112</td>
</tr>
</tbody>
</table>

*Note. $p < .05$

a. Predictors: (Constant), Religious Affiliation
b. Predictors: (Constant), Religious Affiliation, Ethnicity
c. Predictors: (Constant), Religious Affiliation, Ethnicity, Tenure Current Job, # Direct Reports, Yrs as Manager
d. Predictors: (Constant), Religious Affiliation, Ethnicity, Tenure Current Job, # Direct Reports, Yrs as Manager, CollectivismMean

The results of a multiple regression using the same predictor variables and the criterion variable of LMX Loyalty revealed three significant predictors; collectivism, gender egalitarianism and age, which helps support Hypothesis 2 and 3. Results showed that the more collectivistic the respondents believed the work culture to be the more positively they rated...
their immediate supervisor and perceptions of leadership ($R^2 = 0.241, p = 0.00; \beta = 0.480, r_p = .464, p = 0.00$). The rating of gender egalitarianism of the culture improved the model’s predictive power by 2% ($\beta = -.134, r_p = -.151, p = 0.17$). Age as a control variable accounted for 1.7% of the variance in the relationship ($\beta = -.130, r_p = -.130, p = .038$). Thus, the more collective the organizational culture, the younger the participants, and the less gender equality in the workplace, the more positively participants rated their immediate supervisor and perceptions of leadership. Results of the multiple regression analysis are provided in Table 5.

Table 5. Multiple regression analysis for LMX Loyalty

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Std. Error of the Estimate</th>
<th>Change Statistics</th>
<th>R Square Change</th>
<th>F Change</th>
<th>df1</th>
<th>df2</th>
<th>Sig. F Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.130&lt;sup&gt;a&lt;/sup&gt;</td>
<td>.017</td>
<td>1.45121</td>
<td></td>
<td>.017</td>
<td>4.368</td>
<td>1</td>
<td>254</td>
<td>.038*</td>
</tr>
<tr>
<td>2</td>
<td>.133&lt;sup&gt;b&lt;/sup&gt;</td>
<td>.018</td>
<td>1.45353</td>
<td></td>
<td>.001</td>
<td>.190</td>
<td>1</td>
<td>253</td>
<td>.663</td>
</tr>
<tr>
<td>3</td>
<td>.182&lt;sup&gt;c&lt;/sup&gt;</td>
<td>.033</td>
<td>1.45054</td>
<td></td>
<td>.016</td>
<td>1.348</td>
<td>3</td>
<td>250</td>
<td>.259</td>
</tr>
<tr>
<td>4</td>
<td>.491&lt;sup&gt;d&lt;/sup&gt;</td>
<td>.241</td>
<td>1.28786</td>
<td></td>
<td>.208</td>
<td>68.146</td>
<td>1</td>
<td>249</td>
<td>.000*</td>
</tr>
<tr>
<td>5</td>
<td>.508&lt;sup&gt;e&lt;/sup&gt;</td>
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<td></td>
<td>.017</td>
<td>5.812</td>
<td>1</td>
<td>248</td>
<td>.017*</td>
</tr>
</tbody>
</table>

<sup>a</sup> Note. $p < .05$

a. Predictors: (Constant), Age
b. Predictors: (Constant), Age, Ethnicity
c. Predictors: (Constant), Age, Ethnicity, # Direct Reports, Tenure Current Job, Yrs as Manager
d. Predictors: (Constant), Age, Ethnicity, # Direct Reports, Tenure Current Job, Yrs as Manager, CollectivismMean
e. Predictors: (Constant), Age, Ethnicity, # Direct Reports, Tenure Current Job, Yrs as Manager, CollectivismMean, GenderEgalitarianismMean

The results of a multiple regression using the same predictor variables and the criterion variable of LMX Affective revealed only one significant predictor, collectivism ($R^2 = 0.284, p = 0.00; \beta = 0.531, r_p = .524, p = 0.00$). Results showed that the more collectivistic the respondents believed the work culture to be the more positively they rated their immediate supervisor and perceptions of leadership. Results of the multiple regression analysis are provided in Table 6.

Table 6. Multiple regression analysis for LMX Affective

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Std. Error of the Estimate</th>
<th>Change Statistics</th>
<th>R Square Change</th>
<th>F Change</th>
<th>df1</th>
<th>df2</th>
<th>Sig. F Change</th>
</tr>
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<td></td>
<td>.000</td>
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<td>254</td>
<td>.862</td>
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<td>.013</td>
<td>1.58964</td>
<td></td>
<td>.013</td>
<td>1.118</td>
<td>3</td>
<td>251</td>
<td>.342</td>
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</tbody>
</table>
The results of a multiple regression using the same predictor variables and the criterion variable of LMX Professional Respect revealed four significant predictors: collectivism, religious affiliation, age, and years as a manager. Results showed that the more collectivistic the respondents believed the work culture to be, the more positively they rated their immediate supervisor and perceptions of leadership ($R^2 = .278$, $p = .00$; $\beta = 0.477$, $r_p = .464$, $p = .00$). Religious affiliation accounted for 2.9% of the variance in the relationship ($\beta = .169$, $r_p = .169$, $p = .007$), age accounted for 4% of the variance ($\beta = -.138$, $r_p = .139$, $p = .026$), while years as a manager accounted for 8% of the variance in the relationship ($\beta = .212$, $r_p = .142$, $p = .025$). Thus, the more collective the organizational culture, the more years as a manager, the younger the individuals, and having a religious affiliation, the more positively participants rated their leader-member exchange model. Results of the multiple regression analysis are provided in Table 7.

Table 7. Multiple regression analysis for LMX Professional Respect

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Std. Error of the Estimate</th>
<th>Change Statistics</th>
<th>Sig. Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>R Square Change</td>
<td>F Change</td>
</tr>
<tr>
<td>1</td>
<td>.169a</td>
<td>.029</td>
<td>1.53784</td>
<td>.029</td>
<td>7.497</td>
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<tr>
<td>2</td>
<td>.218b</td>
<td>.047</td>
<td>1.52590</td>
<td>.019</td>
<td>4.991</td>
</tr>
<tr>
<td>3</td>
<td>.222c</td>
<td>.049</td>
<td>1.52749</td>
<td>.002</td>
<td>.475</td>
</tr>
<tr>
<td>4</td>
<td>.283d</td>
<td>.080</td>
<td>1.51144</td>
<td>.031</td>
<td>2.793</td>
</tr>
<tr>
<td>5</td>
<td>.528e</td>
<td>.278</td>
<td>1.34153</td>
<td>.198</td>
<td>68.070</td>
</tr>
</tbody>
</table>

*Note. $p < .05$
a. Predictors: (Constant), Religious Affiliation
b. Predictors: (Constant), Religious Affiliation, Age
c. Predictors: (Constant), Religious Affiliation, Age, Ethnicity
d. Predictors: (Constant), Religious Affiliation, Age, Ethnicity, # Direct Reports, Tenure Current Job, Yrs as Manager
e. Predictors: (Constant), Religious Affiliation, Age, Ethnicity, # Direct Reports, Tenure Current Job, Yrs as Manager, CollectivismMean
Leadership

This study asked participants to rate the degree to which the four dimensions of the Leader-Member Exchange (LMX) Model were instrumental in measuring their attitudes toward their supervisor and perceptions of leadership. The results of the initial multiple regression analysis in Table 1 indicated that the independent variable, labeled DiversityAvg, was found to be positively correlated with the dependent variable, labeled LMXQuality ($r = .42, p < 0.01$). Further regression analysis revealed that the diversity dimension, Collectivism, was the driving factor of this relationship ($\beta = .539, p = 0.00$). This indicates that the more collectivistic the participants believed the work culture to be, the higher they rated their immediate supervisor and perceptions of leadership. Results of this regression analysis are provided in Table 2.

Additional regression analysis was run for each of the four LMX dimensions of Collectivism, Loyalty, Affect, and Professional Respect. All four of the LMX dimensions were found to have a significant relationship with the diversity dimension, Collectivism, while the LMX dimension of Loyalty was also found to be significant with the diversity dimension, Gender Egalitarianism. (Results of these analyses are provided in Tables 5 through 7).

Discussion

The results of this study presented findings that were both intriguing and beneficial to current research. Research shows that collectivist cultures tend to have a high degree of interdependency among group members in the organization. This interdependency conceivably promotes a higher value on diversity. Aycan, Kanungo, Mendonca, Yu, Deller, Stahl, and Kurshid (2000) found that managers who prefer collectivism as a cultural value, also ascertain that employees in their organizations will exhibit a high degree of obligation toward other organizational members. Herrera, Duncan, Green, Ree, and Skaggs (2011) found that organizations with a strong collectivist culture was a strong predictor of how positively participants rated their organizations support for diversity, recruitment efforts, diversity training for mentors, and employees with disabilities. Brandt (1974) and Choi (1996) found that members of collectivist cultures are more likely to engage in group activities than members of individualistic cultures. And Wheeler, Reis and Bond (1989) found that relationships in collectivist cultures tend to be longer in duration, more intimate, and more group-oriented than relationships in individualistic cultures.

It is unclear from this study whether participants who prefer a collectivist culture tended to self-select toward organizations that promote diversity or whether organizations that promote diversity tend to acculturate workers toward a preference for collectivism. Erez and Earley (1993) found that human resources practices differed between organizations that promoted individualistic cultures to those that promoted collectivistic cultures. Those organizations promoting collectivist cultures emphasized interdependence and obligation to others. Erez and Earley assume that these organizational cultural values likely manifest themselves during employee recruitment, performance appraisal, and job design.

The increased growth of women, minorities, and other cultures in the workplace has necessitated the need for empirical research to provide insight into the relationship between diversity and the LMX model dimensions. The results of this study indicate that promoting a more collectivist rather than individualistic or gender-based culture is associated with the increased rating of multiple aspects of leadership effectiveness. If a company’s desire is to have increased ratings of leadership effectiveness, then the organization should begin to incorporate
those practices necessary to achieve desired objectives. This includes creating a culture in which the individual is viewed as interdependent with groups, in which people emphasize relatedness with groups, or in which individuals have fewer social interactions, but interactions tend to be longer and more intimate (House et al., 2004).

An organizational culture that is collectivist in nature also includes an emphasis in HRM practices, including selection, performance appraisal, and termination processes. With respect to selection in collectivist cultures, this is commonly influenced by the relation that applicants have with members within the organization. The most qualified person could very well be the one with the best contacts and relationships with the organization. With regard to performance appraisals, workers in collectivist cultures prefer less formal appraisal practices and are less likely to prefer rewards based on individual merit. And with respect to terminations, poor performance is more frequently tolerated and the quality of the relationship with the organization has more of an impact on whether one is terminated.

**Conclusion and Limitations**

This study makes several significant contributions to the literature on leadership, particularly with respect to how diversity impacts the *Multidimensional Measure of Leader-Member Exchange* (LMX-MDM). Although the LMX model has emerged as one of the most enduring theories for characterizing leadership behavior, little was known about how diversity can impact the LMX model for increased leadership effectiveness. This paper also alerts organizations as to the HRM policies and practices that need to be applied to arrive at desired results. Results of this current study indicate that diversity culture does indeed have a significant impact on the LMX model. Of the diversity dimensions of Individualism, Collectivism, and Gender Egalitarianism, Collectivism was found to be the driving factor of influence on the LMX model for increased leadership effectiveness. Organizations must be able to recognize that HRM policies and practices will only lead to positive results when applied in the proper context. In other words, organizations should know which policies must be applied when dealing with a collectivist culture and when they are no longer applicable. These findings stress the importance of implementing the right corporate strategy based on the organization’s culture. With the increase in globalization, organizations must be prepared to re-evaluate their policies and know when to adapt to changes in organizational culture. Only then will they be able to take full advantage of organizational diversity practices to increase leadership effectiveness to its fullest capacity.

This study was confronted with the usual limitations associated with the use of the survey method. For example, limited in its ability to account for unforeseen variables, surveys can only find associations rather than casual relationships between independent variables and dependent variables (McKenna, Hasson, & Keeney, 2006). Future studies can overcome this problem by combining other methods such as longitudinal studies with surveys, which are administered a number of times over the period of the research. Although subject to limitations, the survey sample size of 300 participants used in this study, nevertheless, displays results that provide significant theoretical and practical contributions to diversity and its effect on the Leader-Member Exchange Model.
Data for this study were collected at both a private and public Texas University. To be able to generalize this study’s results to a larger number of organizations, future research would profit from including a more varied sample of universities and workplaces.

In addition, survey questionnaires were only distributed to nontraditional students in graduate and undergraduate programs. Respondents of the study were students who were also employed in a wide array of organizations while attending school. Future studies could enhance the generalizability of the results by collecting data from traditional full-time students and students who are enrolled in other types of programs.

In summary, the current study results show there is a significant relationship between Diversity and its effect on the Leader-Member Exchange Model, which can lead to increased leadership effectiveness. Results further show that the Diversity dimension of Collectivism is the driving factor influencing this significant relationship. These findings, without a doubt, have important implications for organizations that remain challenged in implementing the proper HRM policies and the right corporate strategy based on the organization’s culture.

REFERENCES


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