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HIV/AIDS IN THE WORKPLACE:
POLICY SUGGESTIONS

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ABSTRACT

Globally, 40 million people have the HIV virus that strikes an additional 16,000 each day. By the end of 1997, in the United States, the cumulative total of 641,986 AIDS cases were reported to the Centers for Disease Control (CDC) with an additional 40,000 new infections reported each year. It is estimated that one in 250 people have HIV. Therefore, if a firm has a workforce of 250, chances are that at least one employee has HIV. Moreover, it is estimated that 90 percent of all HIV positive individuals are in the workforce. According to a recent CDC survey, one in six large worksites (more than 50 employees) and one in 15 small worksites has had an employee with HIV/AIDS. Therefore, HIV/AIDS is no longer a political issue, it is now a workplace issue.

Employers must address a number of legal and employee relations issues in order to formulate effective policies and practices to respond to employees with HIV/AIDS. Legal issues will require employers to formulate policies that respond to employees' privacy rights, to testing, to benefit administration, to reasonable accommodation under the Americans with Disabilities Act (ADA), and to "AIDS phobia." Many of these issues have important employee relations consequences for not only the HIV/AIDS employee but for co-workers as well. Nowhere is that more evident than with respect to how employers respond to co-workers who refuse to work with HIV/AIDS employees.

The continually evolving legal environment complicates employer efforts to develop effective policy. Standard anti-discrimination and harassment policy must be consistent with current court decisions. The U.S. Supreme Court's most recent case dealing with HIV/AIDS concluded that the views of public health authorities like the U.S. Public Health Service "are of special insight and authority but not conclusive." The court's decision in Bragdon supports the Equal Employment Opportunity Commission's (EEOC) opinion with respect to people with HIV/AIDS that the disability occurs from the moment of infection. However, the decision still does not provide clear meaning of the concept of direct threat in the context of HIV/AIDS in certain workplaces.

The purpose of this paper is to examine and evaluate these legal and employee relations issues associated with HIV/AIDS and effective policy development.

A MULTIDIMENSIONAL EXAMINATION OF WORK SATISFACTION AND ORGANIZATIONAL COMMITMENT

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INTRODUCTION

The restructuring of the work and management systems and the redesign of individual work roles and responsibilities that continues to occur in many organizations have led to changes in the work environment that are often dramatic. Earlier research on work satisfaction has shown that differing groups and units within an organization may have different work environments. A reasonable inference to draw is that different perceptions of the work environment may contribute to the formation of different forms of organizational commitment. An area which may increase our understanding of the commitment construct is the relationship of specific forms of commitment to specific dimensions of work satisfaction. Using the multidimensional perspective on organizational commitment suggested by Penley and Gould (1988) as a framework, this paper examines the impact of six aspects of work satisfaction on moral, calculative, and alienative commitment.

ORGANIZATIONAL COMMITMENT

The concept of organizational commitment has been extensively developed in the literature (for example: Morris & Sherman, 1981; Chusmir, 1982; Bateman & Strasser, 1984; Penley & Gould, 1988; Shore & Martin, 1989; Lee & Mitchell, 1991; Rosin & Korabik, 1991; Lee, Walsh & Mowday, 1992; Vandenberg & Lance, 1992; Jaros, Jermier, Koehler & Sincich, 1993). Scholars have also addressed a wide range of issues important to understanding of organizational commitment including: job satisfaction and causality (Batemen & Strasser, 1984; Vandenberg & Lance, 1992; Tett & Meyer, 1993), intention to leave the organization (Lee & Mitchell, 1991; Jaros et al., 1993; Cohen, 1993; Tett & Meyer, 1993), and the dimensionality of commitment (Penley & Gould, 1988; Jaros, et al., 1993).

Past research suggests that organizational commitment has many desirable effects including reduced turnover, lower absenteeism and improvements in productivity. While researchers have varied in their emphasis, most appear to suggest that commitment represents both a set of behaviors by which individuals manifest their link to the organization, and an attitude which describes the individual's linkage to the organization. Although numerous definitions of commitment have been

proposed over the years, the conceptualization suggested by Mowday, Steers, and Porter (1979) is one of the most widely accepted. These authors describe organizational commitment as: "The relative strength of an individual's identification with and involvement in a particular organization."

Many researchers, particularly those who view commitment as a behavior as opposed to an attitude, seem to view commitment as a one dimensional, bipolar construct. That is, one is either committed to or not committed to the organization. Such a conceptualization allows organizations to predict future behavior (e.g. intent to stay or to leave) based upon a measurement of employee attitudes. Alternatively, those who view commitment as an attitude argue that commitment is multidimensional concept (Jaros, et al., 1993). The multidimensional view of commitment builds on the foundation laid by Etzioni (1961) who argued that organizational commitment takes three basic forms, each representing an individual's response to organizational power: moral involvement (an intensely positive affective response based on internalization of goals and values), calculative involvement (a slightly less intense form of attachment based primarily on the individual's response to the exchange relationship between individual and organization), and alienative involvement (an intensely negative form of attachment associated with the use of coercive power). As conceptualized by Etzioni, each dimension of commitment represents a possible description and explanation of the nature and form of an employee's attachment to an organization.

Kanter (1968), who saw commitment as the result of the differing behavioral requirements organizations place on individuals, also viewed commitment as multidimensional. Kanter suggested that commitment could be characterized as continuance (having a vested interest in organizational survival), cohesion (attachment to social relationships in the organization), or control (essentially a function of acceptance of and identification with organizational norms).

Penley and Gould (1988) took the process a step further by combining Etizoni's multiform conceptualization of commitment with Kanter's view that organizational commitment is best understood if viewed as a set of interrelated attitudes and behaviors. Penley and Gould suggest that one's attachment to an organization exists in both affective and instrumental forms. One can be morally committed (highly positive affective), calculatively committed (an instrumental form essentially focused on one's satisfaction with the exchange relationship), or alienatively committed (highly negative affective characterized in negative attitude terms, but behavior is indicative of a strong desire to maintain membership in the organization). Although others have proposed multidimensional formulations of organizational commitment, Penley and Gould have provided a means to measure both positive and negative forms of commitment. The allowance for flexibility in commitment form (moral, calculative, or alienative) and variability in the nature (positive or negative) of a persons' commitment inherent in the Penley and Gould formulation may provide a better understanding of commitment than other formulations of the construct.

WORK SATISFACTION AND COMMITMENT

Much attention has been given to the relationship between organizational commitment and job satisfaction, including an on going debate in the literature as to the casual ordering of these variables. Bateman and Strasser (1984) challenged the traditional view, based on the work of Porter, Steers, Mowday, and Boulian (1974), of job satisfaction as the antecedent of commitment. Williams and Hazer (1986) report findings consistent with Porter in their study of a community mental health

center and a large insurance company. Using a LISERAL model, they found strong support for a direct link from satisfaction to commitment. They recommended a reexamination of commitment and satisfaction to clarify the processes through which affective factors influence organizational outcomes.

Curry, Wakefield, Price, and Mueller (1986) have also recommended that the relationship between job satisfaction and organizational commitment be reexamined. In a study of employees from five hospitals, these authors found that most of the covariation between concurrent measures of job satisfaction and commitment could be attributed to common antecedents. A recommendation of their study was to investigate job satisfaction and commitment using different measures with further theoretical specification and empirical evaluation of the antecedents.

Glisson and Durik (1988) expressed concern that workers in human service organizations may have particularly low levels of job satisfaction relative to other types of organizations. In a study of 22 organizations, they attempted to delineate the major predictors of job satisfaction and commitment among human service workers. Their results indicated that role ambiguity and skill variety were the strongest predictors of satisfaction; and that organizational age and leadership were the strongest predictors of commitment. Glisson and Durik speculate that the relationship between satisfaction and commitment may result from some direct linkage between the two variables.

In attempting to explain the effect of an individual's work experiences on organizational outcomes, a multivariate model is needed. Considerable evidence exists linking work environment with satisfaction Bradley, et al., (1980) reported that employees who see their work as more oriented toward involvement, cohesion, support, autonomy, and innovation showed greater job satisfaction. Parkes (1982) reported that variations in involvement, peer cohesion, and staff support were related to increases in work satisfaction among student nurses. Pervin (1968) as well as Downey et al., (1975) found that job satisfaction was associated with the interaction between personality characteristics and perceptions of the environment. Mansfield, Yu, McCool, Vicary, and Packard (1989) reported significant differences in perceptions of pressure/uncertainty, task routinization, and co-worker interdependence between groups of nurses in different clinical areas of a hospital. McClosky (1974) studied the influence of rewards and incentives on turnover among hospital staff nurses and found that an environment that provides psychological rewards is most desired and sought after. This suggests that employees whose perceptions of the work environment are positive, should be more satisfied, more committed to the organization, and less likely to leave.

For this study the assumption was made that work (job) satisfaction was an antecedent of commitment form. Specifically, the purpose of this study is to examine the impact of facets of work satisfaction on the form of organizational commitment expressed by employees. The research question addressed was: To what extent are variations in commitment type (moral, calculative, or alienative) accounted for by facets of work satisfaction?

BUSINESS PROCESS REENGINEERING, DOWN SIZING AND STRESS IN HEALTHCARE ORGANIZATIONS

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INTRODUCTION

The purpose of this paper is to review the results of downsizing (DS) and business process reengineering (BPR) in healthcare organizations and to offer a diagnostic tool that might be used to evaluate employee responses to DS and BPR.

The problems of DS and BPR in today's complex healthcare environments are numerous and in some cases far more complicated than the very complexities that they address. BPR is an organizational response to create faster decision making, increase organizational flexibility, and increase efficiency and productivity (Freeman & Cameron, 1993). The bottom line is that re-engineering is an attempt to make the organization more competitive in an increasingly competitive global market.

Some organizations have opted for the more direct slash and burn approach of DS to maintain or retain market share. "Downsizing is a deliberate organizational decision to reduce the workforce that is intended to improve organizational performance" (Kozlowski, Chao, Smith & Hedlund, 1993). But research has shown that nearly three fourths of organizations that downsize did not improve their competitive advantage (Tomasko, 1992) and two thirds of the organizations had to downsize again only one year later (Pearlstein, 1994). The question is, "Is BPR any more effective than traditional DS?"

BPR came into vogue in the mid 1990s. Hammer and Champy's first book, Reengineering the Cooperation (1993) took a tabula rasa approach at re-designing organization processes to maximize effectiveness. After several years of experience and research, it is readily apparent that BPR is no more effective than traditional downsizing.

Many BPR attempts fail. In fact Ackoff (1993) found that nearly two-thirds of the programs do not succeed. Reengineering proponents, however, do not cite the design or the theory of BPR as the fault of these failures. Hammer and Stranton (1995) cite management's misunderstanding of the process as the reason for failure. Hammer and Stranton further explain the reasons for failure by nine factors in three broad categories:

1.   Leadership: (1) lack of leadership and (2) timidity in redesign

2.   Process problems: (3) spending too much time analyzing existing processes, (4) reengineering slowly, (5) placing some aspects of the business off limits, (6) adoption of conventional implementation style and (7) ignoring the concerns of employees and;

3.   Implementation problems: (8) reengineering where it cannot fit and (9) from new process design to implementation.

It is interesting to note that each of these nine reasons for BPR failure could easily be described as failures of management.

DISCUSSION

BPR and DS frequently involves pressure being applied from the top of the organization to "flatten" the structure. This is analogous to a compression test in a strength of materials application. One of the dangers in BPR is "fracturing" the organization just as exceeding compressive strength of a material in a compression test will fracture the material. Using an engineering analogy, we hypothesize that as organizations restructure and compress the hierarchy into a flatter structure, internal stress is created. If too much compression occurs, eventually the compressive strength of the human material is exceeded, "fracturing" occurs and organizational effectiveness is significantly reduced. Engineers take into account not only the physical properties of the material they are using but also environmental factors such as temperature to determine how much stress an object can bear. We contend that organizations, especially organizations with very complex internal and external environments, must use this same approach when evaluating the potential benefits of BPR and DS.

INTERNAL EFFECTS OF COMPRESSION

A casual review of the media reinforces the observation that DS is here to stay. Contributing to this has been global benchmarking and the need to keep overhead costs down. DS has been used by a number of threatened and troubled companies as a tactic for consolidating economic position. It is the inevitable outcome of living in a global economy. The administrative impact of the information and technology revolution has lead to a redundancy of the go-between role of middle management. This phenomenon has lead to lower overheads, decreased bureaucracy, faster decision making, and smoother communication. However, it is questionable if these changes are benefits. According to a survey by the Society for Human Resource Management, more than 50% of 1468 DS firms reported that productivity either remained stagnant or worsened after downsizing (Henkoff, 1990). Other studies by Henkoff (1990) showed problems with morale, trust, and productivity. Less than half of the surveyed firms reduced expenses. DS had a "severe adverse impact" on the survivors. Many organizations had an immediate upsurge in productivity and then became depressed and lethargic after DS (Appelbaum, Simpson and Shapiro, 1987; Custer, 1994).

There is the illusion of a "quick fix" with DS, equating reduction of head count with cutting cost and improving profitability. Unfortunately the star performers are often the first to leave, costing

the company crucial human capital and disrupting organizational memory. This creates a group of unhappy, overworked surviving employees, causing disruption that is resolved with the hiring of costly consultants to ease organizational disarray. To the theorists, DS can have a positive long-term impact. Done in the proper way it leads to re-inventing important processes of the corporation. If properly assessed prior to the process, there is a re-evaluation of the business process, eliminates some hierarchical structure, transformation of the corporate culture, and strategic change. However, recent studies have shown that DS and presence of a motivated workforce are a contradiction.

Management is beginning to explore the psychological dimensions of downsizing. Cameron (1994) found a negative correlation between organizational effectiveness and downsizing. Research shows that effective human resource management is vital, but the effect on individuals has not been well documented. There are however studies that indicate that there was a breaking of a psychological contract with the employees. Bennett (1991) found that the way top executives handled layoffs had a significant impact on the degree of dysfunctionality of the employees and survivor work behavior and attitudes. Many senior executives do not realize how details and complexity can influence the implementation and success of a restructuring. Ignoring the survivor's emotional needs and telling them to work harder and be grateful for their jobs can engender much resentment and dysfunctional behavior.

Kets de Vreis and Balazs (1997) investigated the need to work through survivor guilt and embarrassment at still having a job and the double dose of psychological stress of the executives who act as the "executioners". The executives had to cope with the reactions of the survivors and to deal with the stress of the change in conducting their day to day business life. Open-ended interviews were conducted to ascertain these reactions and stresses. They asked questions about the downsizing process and the effect on life and organizational issues, the experiences during the process, etc. The results looked at the coping strategies of the victims, executioners, and survivors. Fifty seven percent of the victims experienced depression and anger. Sixty two percent of the executioners had the same emotions. The survivors had the same results as the victims. Oddly seventeen percent of the victims had the feeling of "doing a Gauguin"; experiencing a rebirth of interest in life after the job ended and they started a new job. Of the survivors, it was said that they were like Holocaust survivors with guilt at making it through and having lost friends and associates. They felt fear, distrust, powerlessness, vulnerability and violation. The sharp increase in workload, longer working hours and fewer vacation days reinforced these emotions leading to inefficiency and burnout. The dismissal of long-term employees caused a loss of institutional memory, and loss of specialists who could make certain decisions, which lead to executives, who used a short-term approach to decision making. All these changes contributed to a sense of disorientation.

Recent research has pointed out a relationship between re-engineering and disability claims for mental disorders. For these less than hardy people, re-engineering is accompanied by emotional, cognitive, and physiologic burnout. There is a deterioration of mental function with symptoms of lowered self-esteem, irritability, helplessness, and free floating anxiety. The victims, executioners and survivors all show the signs of burnout.

INTERNAL COMPLEXITIES AND BPR

Traditional attempts at re-engineering in the 1980's focused on changing the culture and effectiveness of the organization. But these approaches were often misdirected, ineffective and very slow to bring about any change. A more results driven and task oriented approach methodology was developed in the 1990's. This approach seeks rapid change in business processes and dramatic results. The problem with this approach is that if an organization truly follows this directive, they may neglect to examine the internal and external environmental inputs including very important political issues. Other operational problems with BPR are that there is not consensus on how this approach should be done and the terminology is ambiguous.

Buchanan (1997) analyzed the results of one British hospital's BPR of their operating theater. At the end of the study the only activities that had been completed were the development of a Steering Committee, and partial completion of data collection. These two stages took over seven months. What Buchanan found was that because BPR is ill defined, the re-engineering agenda is compromised by competing stakeholders willing to define and interpret the process in their best interest. Secondly, the process was muddied by the fact that each of the professional groups had their own focus, their own task and their own view on how things work.

In an attempt to more fully integrate internal and external environmental forces, DeSitter, den Hertog, and Damkbaar, (1997) have created a model of BPR that attempts to help the organization deal with a complex and continually changing environment while minimizing the effects on human resources. Traditionally, organizations have had two options with regards to re-engineering; a Taylorist approach or a sociotechnical systems designs (STSD) approach.

The Taylorist approach to re-engineering is to respond to external complexity by increasing internal complexity. To react to external developments, Taylorist have created more specialized staff functions, and a vertical information system. The second option, Sociotechnical Systems Design (STSD) has the organization dealing with external complexity by reducing internal control and coordination needs. Galbraith (1974) states this is done with self-contained units and lateral groups. Changing fragmented direct tasks into meaningful larger tasks alters the primary work process. This results in less support staff (indirect staff) and less bureaucracy. This is typically viewed as the "breaking down the work silos" approach to re-engineering. STSD does appear to have resolved some of the organizational and labor market needs by designing the correct amount of complexity of jobs with the simplest organization. The main criticism of that STSD is that it does not go beyond standard solutions and is too strongly dominated by expert knowledge from outside the organization. Therefore, re-engineering projects do not become self-propelling.

The Integral Organizational Renewal (IOR) model takes into account internal and external environmental factors in re-engineering. This model focuses on the fact that local contingencies and local knowledge cannot be ignored in favor of the general standard solution to reengineering. In re-engineering, outside consultants often tended to own the problems as opposed to the local players. If re-engineering is to work, it is apparent that the local players and new work forms had to be "designed in." Other considerations of the IOR model include allowing the expertise to become shared at the lowest level of the organization. It was found that if the expertise is not shared, the power distance between the reengineering team and the users of the new work design increased dramatically.

Neither the Taylorist approach nor the STSD approach fully integrates redesign and the internal complexities of the work environment, therefore organizational dynamics are poorly understood and both models tend to fail. IOR suggests that for BPR to succeed three main concepts must be adhered to. First, all systems and subsystems of the organization are viewed as intimately related. Second, re-engineers, managers and shop level employees must have an objective. And finally, both production structure and control structure and their relations to one another must be realized and examined and clearly understood.

Shaw and Barrett-Power (1997) expand the concept of IOR to include both macrolevel and microlevel examination of the BPR process and its effectiveness. They contend that re-engineering must be viewed as a constellation of stressor events on the organization, work groups and individuals. In this stress-based view of reorganization, Shaw and Barrett-Power cite organizational and individual dependent variables. Organizational dependent variables included a decreased ability to retain personnel, customer relations, performance and long-term strategy. Individual dependent variables include an increase in job insecurity, anger, stress, and a decrease in job loyalty, commitment, motivation and productivity.

Nwabueze and Kanji (1997) examined seven health care organizations in the United Kingdom attempting BPR. They found ten common "pitfalls" of BPR all focusing on the lack of a environmentally sensitive systems approach. In a case study, a British hospital's approach to BPR proved to be successful. One of the most interesting facts was that key personnel in the first stage of the process traveled to U.S. hospitals undergoing and having completed BPR. The most important lessons learned were what not to do. The second stage was comprised of learning about themselves from internal audits of patients', clinicians', and non-clinicians' perceptions, needs, gaps in service and their readiness for change. Four major success factors of the BPR process were determined which follow the systems approach, (1) know your inputs, (2) know and improve the processes, (3) monitor outputs and (4) provide feedback.

RECOMMENDATIONS

We believe that a structural analogy (the compressive strength model) is a useful way of thinking about the results of DS and BPR. Just as engineers monitor the physical changes in a compression test with devices called strain gauges, we propose that it may be useful for organizational leaders to carefully measure the changes in employee reactions and behaviors during DS and BPR.

In altering hospital structures, it must be seen that the hospital is primarily a user of human talent and skills, as the material for producing the product called healthcare. Particularly in a healthcare environment, there is already stress and compression that is inherent in the professions involved and the characteristics of the stakeholders. Furthermore, recent governmental regulations and market pressures have increased all healthcare systems stressors. This challenges the malleability of the human material as the complexity of the tasks and stressors increases. Job satisfaction reaches a critical point where the material can take only so much stress and then must yield to these stresses. This is shown by increased turnover, increased error, lack of productivity and ultimately loss of profits and increased costs.

We propose that a short instrument (see Appendix A) can be used at the beginning of a BPR effort to diagnose organizational commitment (Schoppe, 1998) and the relationships between organizational climate, culture and satisfaction (Johnson & McIntyre, 1998).

We propose that:

(1)   Organizational commitment (citizenship behavior) will correlate positively with satisfaction.

(2)   Satisfaction will be inversely related to the duration of a BPR effort.

It is the intent of the authors to assess the reliability of the proposed instrument (Appendix A) in a large, Midwestern healthcare facility that has recently begun substantial BPR efforts. We encourage the use of this instrument by others and are willing to share empirical results.

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APPENDIX A
BPR SATISFACTION AND ORGANIZATIONAL COMMITMENT QUESTIONNAIRE

		Strongly Disagree				**Strongly Agree**
1)	Effective methods are used to encourage employee involvement in quality improvement.	[1]	[2]	[3]	[4]	[5]
2)	Managers provide an environment that supports employee involvement.	[1]	[2]	[3]	[4]	[5]
3)	Effective actions have been taken to increase the authority of employees to make job related decisions.	[1]	[2]	[3]	[4]	[5]
4)	Managers recognize employee contributions in a fair and equitable manner.	[1]	[2]	[3]	[4]	[5]
5)	Managers recognize activities directly related to quality improvement.	[1]	[2]	[3]	[4]	[5]
6)	I am given feedback which helps me improve my job performance.	[1]	[2]	[3]	[4]	[5]
7)	Employees are encouraged to express new ideas.	[1]	[2]	[3]	[4]	[5]
8)	My manager provides assistance for my career development.	[1]	[2]	[3]	[4]	[5]
9)	I am kept fully informed about major issues affecting my job.	[1]	[2]	[3]	[4]	[5]
10)	The information I receive through formal channels helps me do my job effectively.	[1]	[2]	[3]	[4]	[5]
11)	Creativity is actively encouraged in our work group.	[1]	[2]	[3]	[4]	[5]
12)	The procedures used to make decisions make sure the decisions are based on as much accurate information as possible.	[1]	[2]	[3]	[4]	[5]
13)	With regard to carrying out procedures at your organization, your supervisor takes steps to deal with you in a truthful manner.	[1]	[2]	[3]	[4]	[5]
14)	I am comfortable with the tasks of my job and the level of support from my supervisor.	[1]	[2]	[3]	[4]	[5]
15)	I help others who have heavy workloads.	[1]	[2]	[3]	[4]	[5]
16)	I do not take unnecessary time off work.	[1]	[2]	[3]	[4]	[5]

THE COURT PERSONNEL SYSTEM (CPS): A NEW STRATEGIC COMPENSATION MODEL

Olice H. Embry, Columbus State University

ABSTRACT

This paper describes the Court Personnel System (CPS), a new strategic compensation model developed by the Federal Judiciary and the National Academy of Public Administration. CPS overcomes some of the criticisms and problems of the old time honored GS system that has been modified and used as the compensation model for thousands of US companies, not-for-profit organizations and other governmental agencies. The success of CPS should make it the new strategic compensation model for thousands of US organizations.

INTRODUCTION

In late 1995, the Human Resources Division of the Administrative Office of the United States Courts (AOUSC) introduced their new Court Personnel System (CPS) as part of a strategy to attract and retain the best possible personnel available to streamline the Federal Judiciary and more efficiently handle the explosive growth of their case load. CPS was the result of four years of development among the Courts, The Administrative Office, and the National Academy of Public Administration (NAPA). This new system, which was evolutionary rather than revolutionary, overcame some of the criticisms or problems of the old time honored GS system, that has been modified and used as the compensation model for thousands of US companies, not-for-profit organizations and other governmental agencies. According to AOUSC, non-executive salaries within CPS are outlined in a 12-level, 61-step table rather than the GS 15-level, 10-step table. The 1998 CPS Salary table is shown in Exhibit 1. The 1998 GS Salary Table is shown in Exhibit 2. Note that the CPS steps are arranged vertically and the levels are arranged horizontally whereas the GS steps are arranged horizontally and the levels are arranged vertically. The CPS salary table is explained by the AOUSC as:

> *The CPS pay table is actually two pay tables in one – the developmental range which is made up of steps one through twenty-four, and the full performance range which is comprised of steps twenty-five through sixty-one. The developmental range provides pay adjustments based on an employee's ability to learn the job. The employee's progress in learning and performing can be evaluated every thirteen pay periods, and the number of steps earned up to step twenty-five is governed by performance achievement levels. The full performance range allows salary progression for employees who are at or above step twenty-five on the CPS pay table. Within-level increase eligibility in this range is generated once per year and is based upon longevity and acceptable level of performance. The CPS salary table is directly linked to the Executive Branch General Schedule (GS) for employment*

cost index and locality pay purposes. CPS step 25 = GS step 1. [Note: This was true in 1995 but later versions of the table have values that are close but not exactly equal]

	STEP	CL 21	CL 22	CL 23	CL 24	CL 25	CL 26	CL 27	CL 28	CL 29	CL 30	CL 31	CL 32	
							CLASSIFICATION LEVEL							
	1	13,396	16,826	20,862	23,082	25,494	28,089	30,873	36,988	43,990	51,993	61,149	71,731	
	2	13,536	17,002	21,079	23,323	25,760	28,382	31,194	37,374	44,449	52,535	61,787	72,478	
	3	13,677	17,178	21,296	23,564	26,027	28,675	31,516	37,760	44,907	53,077	62,424	73,226	
D	4	13,817	17,354	21,513	23,806	26,294	28,968	31,837	38,146	45,366	53,619	63,062	73,973	
E	5	13,957	17,530	21,731	24,047	26,561	29,261	32,159	38,532	45,825	54,161	63,700	74,721	
V	6	14,097	17,706	21,948	24,289	26,827	29,554	32,480	38,918	46,283	54,702	64,338	75,468	
E	7	14,237	17,882	22,165	24,530	27,094	29,847	32,802	39,303	46,742	53,244	64,976	76,215	
L	8	14,378	18,058	22,382	24,772	27,361	30,140	33,123	39,689	47,200	55,786	65,613	76,963	
O	9	14,518	18,234	22,599	25,013	27,627	30,433	33,445	40,075	47,659	56,328	66,251	77,710	
P	10	14,658	18,410	22,816	25,254	27,894	30,727	33,766	40,461	48,118	56,870	66,889	78,458	
M	11	14,798	18,586	23,034	25,496	28,161	31,020	34,088	40,847	48,576	57,412	67,527	79,205	
E	12	14,938	18,762	23,251	25,737	28,428	31,313	34,409	41,233	49,035	57,954	68,165	79,953	
N	13	15,079	18,938	23,468	25,979	28,694	31,606	34,731	41,618	49,493	58,495	68,802	80,700	
T	14	15,219	19,114	23,685	26,220	28,961	31,899	35,052	42,004	49,952	59,037	69,440	81,447	
A	15	15,359	19,290	23,902	26,462	29,228	32,192	35,374	42,390	50,410	59,579	70,078	82,195	
L	16	15,499	19,466	24,119	26,703	29,494	32,485	35,696	42,776	50,869	60,121	70,716	82,942	
	17	15,639	19,642	24,337	26,944	29,761	32,778	36,017	43,162	51,328	60,663	71,354	83,690	
R	18	15,780	19,819	24,554	27,186	30,028	33,071	36,339	43,548	51,786	61,205	71,991	84,437	Number
A	19	15,920	19,995	24,771	27,427	30,295	33,364	36,660	43,933	52,245	61,747	72,629	85,185	of
N	20	16,060	20,171	24,988	27,669	30,561	33,657	36,982	44,319	52,703	62,288	73,267	85,932	Steps
G	21	16,200	20,347	25,205	27,910	30,828	33,950	37,303	44,705	53,162	62,830	73,905	86,679	for
E	22	16,340	20,523	25,423	28,151	31,095	34,243	37,625	45,091	53,620	63,372	74,542	87,427	Annual
	23	16,481	20,699	25,640	28,393	31,362	34,536	37,946	45,477	54,079	63,914	75,180	88,174	Increase
	24	16,621	20,875	25,857	28,634	31,628	34,830	38,268	45,862	54,538	64,456	75,818	88,922	
	25	16,761	21,051	26,074	28,876	31,895	35,123	38,589	46,248	54,996	64,998	76,456	89,669	
	26	16,901	21,227	26,291	29,117	32,162	35,416	38,911	46,634	55,455	65,540	77,094	90,417	4
	27	17,041	21,403	26,508	29,359	32,428	35,709	39,232	47,020	55,913	66,081	77,731	91,164	
	28	17,182	21,579	26,726	29,600	32,695	36,002	39,554	47,406	56,372	66,623	78,369	91,911	
	29	17,322	21,755	26,943	29,841	32,962	36,295	39,875	47,792	56,831	67,165	79,007	92,659	
F	30	17,462	21,931	27,160	30,083	33,229	36,588	40,197	48,177	57,289	67,707	79,645	93,406	4
U	31	17,602	22,107	27,377	30,324	33,495	36,881	40,518	48,563	57,748	68,249	80,283	94,154	
L	32	17,742	22,283	27,594	30,566	33,762	37,174	40,840	48,949	58,206	68,791	80,920	94,901	
L	33	17,883	22,459	27,811	30,807	34,029	37,467	41,162	49,335	58,665	69,333	81,558	95,649	
	34	18,023	22,635	28,029	31,049	34,295	37,760	41,483	49,721	59,123	69,874	82,196	96,396	4
	35	18,163	22,812	28,246	31,290	34,562	38,053	41,805	50,107	59,582	70,416	82,834	97,143	
P	36	18,303	22,988	28,463	31,531	34,829	38,346	42,126	50,492	60,041	70,958	83,472	97,891	
E	37	18,443	23,164	28,680	31,773	35,096	38,639	42,448	50,878	60,499	71,500	84,109	98,638	2
R	38	18,584	23,340	28,897	32,014	35,362	38,933	42,769	51,264	60,958	72,042	84,747	99,386	
F	39	18,724	23,516	29,114	32,256	35,629	39,226	43,091	51,650	61,416	72,584	85,385	100,133	2
O	40	18,864	23,692	29,332	32,497	35,896	39,519	43,412	52,036	61,875	73,126	86,023	100,881	
R	41	19,004	23,868	29,549	32,738	36,162	39,812	43,734	52,422	62,334	73,667	86,661	101,628	2
M	42	19,144	24,044	29,766	32,980	36,429	40,105	44,055	52,807	62,792	74,209	87,298	102,375	
A	43	19,285	24,220	29,983	33,221	36,696	40,398	44,377	53,193	63,251	74,751	87,936	103,122	2
N	44	19,425	24,396	30,200	33,463	36,963	40,691	44,698	53,579	63,709	75,293	88,574	103,870	
C	45	19,565	24,572	30,417	33,704	37,229	40,984	45,020	53,965	64,168	75,835	89,212	104,618	2
E	46	19,705	24,748	30,635	33,946	37,496	41,277	45,341	54,351	64,626	76,377	89,849	105,365	
	47	19,845	24,924	30,852	34,187	37,763	41,570	45,663	54,737	65,085	76,919	90,487	106,113	2
R	48	19,986	25,100	31,069	34,428	38,030	41,863	45,984	55,122	65,544	77,461	91,125	106,860	
A	49	20,126	25,276	31,286	34,670	38,296	42,156	46,306	55,508	66,002	78,002	91,763	107,607	2
N	50	20,266	25,452	31,503	34,911	38,563	42,449	46,628	55,894	66,461	78,544	92,401	108,355	

		1	2	3	4	5	6	7	8	9	10	11	12	
G	51	20,406	25,629	31,720	35,153	38,830	42,742	46,949	56,280	66,919	79,086	93,038	109,102	2
E	52	20,546	25,805	31,938	35,394	39,096	43,036	47,271	56,666	67,378	79,628	93,676	109,850	
	53	20,687	25,981	32,155	35,635	39,363	43,329	47,592	57,052	67,836	80,170	94,314	110,597	2
	54	20,827	26,157	32,372	35,877	39,630	43,622	47,914	57,437	68,295	80,712	94,952	111,345	
	55	20,967	26,333	32,589	36,118	39,897	43,915	48,235	57,823	68,754	81,254	95,590	112,092	1
	56	21,107	26,509	32,806	36,360	40,163	44,208	48,557	58,209	69,212	81,795	96,227	112,839	1
	57	21,247	26,685	33,023	36,601	40,430	44,501	48,878	58,595	69,671	82,337	96,865	113,587	1
	58	21,388	26,861	33,241	36,843	40,697	44,794	49,200	58,981	70,129	82,879	97,503	114,334	1
	59	21,528	27,037	33,458	37,084	40,963	45,087	49,521	59,367	70,588	83,421	98,141	115,082	1
	60	21,668	27,213	33,675	37,325	41,230	45,380	49,843	59,752	71,047	89,963	98,779	115,829	1
	61	21,808	27,389	33,892	37,567	41,497	45,673	50,164	60,138	71,505	84,505	99,416	116,577	1

Exhibit 1 – 1998 CPS Salary Table

Annual Rates by Grade and Step

	1	2	3	4	5	6	7	8	9	10
GS-1	$12,960	$13,392	$13,823	$14,252	$14,685	$14,938	$15,362	$15,791	$15,809	$16,214
2	$14,571	$14,918	$15,401	$15,809	$15,985	$16,455	$16,925	$17,395	$17,865	$18,335
3	$15,889	$16,429	$16,959	$17,489	$18,019	$18,549	$19,079	$19,609	$20,139	$20,669
4	$17,848	$18,443	$19,038	$19,633	$20,228	$20,823	$21,418	$22,013	$22,608	$23,203
5	$19,969	$20,635	$21,301	$21,967	$22,633	$23,299	$23,965	$24,631	$25,297	$25,963
6	$22,258	$23,000	$23,742	$24,484	$25,266	$25,968	$26,710	$27,452	$28,194	$28,936
7	$24,734	$25,558	$26,382	$27,206	$28,030	$28,854	$29,678	$30,502	$31,326	$32,150
8	$27,393	$28,306	$29,219	$30,132	$31,045	$31,958	$32,871	$33,784	$34,697	$35,610
9	$30,257	$31,266	$32,275	$33,284	$34,293	$35,302	$36,311	$37,320	$38,329	$39,338
10	$33,320	$34,431	$35,542	$36,653	$37,764	$38,875	$39,986	$41,097	$42,208	$43,319
11	$36,609	$37,829	$39,049	$40,269	$41,489	$42,709	$43,929	$45,149	$46,369	$47,589
12	$43,876	$45,339	$46,802	$48,265	$49,728	$51,191	$52,654	$54,117	$55,580	$57,043
13	$52,176	$53,915	$55,654	$57,393	$59,132	$60,871	$62,610	$64,349	$66,088	$67,827
14	$61,656	$63,711	$65,766	$67,821	$69,876	$71,931	$73,986	$76,041	$78,096	$80,151
15	$72,525	$74,943	$77,361	$79,779	$82,197	$84,615	$87,033	$89,451	$91,869	$94,287

Exhibit 2 1998 GS Salary Table

Employees in steps 25 through 36 can advance up to 4 pay steps in an annual increase. Employees in steps 37 through 54 can advance up to 2 pay steps in an annual increase and employees in steps 55 through 60 can advance only 1 pay step in an annual increase. CPS employees can move through the full performance ranges, therefore, in 18 years before reaching "job top". This helps overcome a common complaint of the GS system where employees reached "job top" in only 10 years and could only receive cost of living adjustments to the table. The cost of living adjustment in 1998 was 2.3%.

In 1995, CL21, step 25 equaled GS-3, step 1 (i.e., GS levels 1, 2 and 3 were combined to form CL21, the lowest of the Court Levels); CL22 equaled GS-5, step 1 (i.e., GS levels 4 and 5 were combined to form CL22); and CL23 equaled GS-7, step 1 (i.e., GS-6 and GS-7 were combined to form CL23). This reduction of the 15 GS classification levels to 12 CL levels (21-32) followed the recent trend in compensation literature of "broadbanding", i.e., combining levels to allow more

flexibility in assigning employees to higher skilled jobs without having to give them a promotion or a temporary title and pay change (Milkovich and Newman).

The CPS plan also includes provisions for: (1) locality pay (there are different tables for major cities); (2) Employment Cost Index (salary tables are revised annually to include cost of living adjustments); (3) longevity bonuses; and (4) Special Occupational Pay Rates. CPS even permits units to create a "pay for performance" policy to replace the longevity factor in the full performance range. The CPS plan reduces the factors on which each job is evaluated from the nine used by the GS plan: (1) Knowledge Required by the position; (2) Supervisory Controls; (3) Guidelines; (4) Complexity; (5) Scope and Effect; (6) Personal Contacts; (7) Purpose of Contacts; (8) Physical Demands; and (9) Work Environment to only six factors : (1) Job Requirements (Education and/or Experience); (2) Scope and Effect of Work; (3) Complexity; (4) Work Parameters; (5) Personal Interactions; and (6) Environmental Demands.

The program has been very successful in recruiting excellent employees. In most areas employees are now cross trained to do all jobs in their classification. The bottom five levels have been eliminated in many courts by having higher level employees assigned to a lower level position for a period of four weeks and rotated so that no higher level employee performs more than 40% of their work in lower level position in a fiscal year. For example, the intake clerk is the lowest level job in one bankruptcy court and the case managers rotate through that position to eliminate the position that would be the lowest paid position in the office. The pay-for-performance bonus was earned by all employees also. It is very likely that this system will become the model for many other organizations.

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MANAGERIAL ROLES, EXPECTATIONS, AND COMMITMENT

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ABSTRACT

This paper focuses on the behavior of managers in its social context. We develop an integrated framework suggesting that role theory provides an effective means for describing the interrelationships among expectations, managerial commitment, and the behaviors of managers. The framework is illustrated by three empirical studies conducted in Finland and the United States. One study focuses on the role characterizations of four Finnish CEOs. The second study concerns the development of commitment of top and middle Finnish managers to an organizational change process, specifically a quality improvement initiative. Based on the findings of the case studies, the third study conducted in the United States is an exploratory survey analysis of the perceptions of managers concerning the sources of role expectations and the importance and influence of various stakeholder groups. Role theory has theoretical and practical value in explaining the interrelationships among managerial expectations, commitment, and actual behavior. The case of four CEO's emphasizes the idiosyncratic nature of the external managerial behavior: the external stakeholders as role senders and their expectations seem to surpass those of executives' subordinates. Especially noteworthy is the primary importance of customers' expectations. The findings from the case study of commitment formation show that management commitment is related to expectations through the intervening factor of managerial skills. When managers' understanding of the ideology, expectations, or their personal role requirements are unclear, commitment remains low. The third study illustrates the usefulness of the integrated framework for explaining the interplay of expectations, commitment, and managerial behavior. Taken together these studies advance our understanding of the role, expectations, and commitment of managerial leaders. Keywords: managerial behavior, commitment, expectations, role theory, quality management

INTRODUCTION

This paper focuses on the behavior of managers in its social context and suggests that social psychological role theory offers an effective means for describing the effect of expectations on managerial behavior. Our aim is to describe and explain the interplay between a manager's self-expectations and the expectations held by his/her external or internal stakeholders. The framework is illustrated by two empirical case studies conducted in Finland and an empirical survey conducted in the United States. We propose that the framework is useful for describing the relationship between expectations and commitment, the effect of expectations on both commitment and behavior, and the actions of managers (the enacted role).

The Managerial Role

Visible and effective managerial leadership is assumed to be of paramount importance, but the question of what managers must do to demonstrate that support is equally important. Before that question can be addressed, an even more basic question emerges: what do managers do in the first place? The simple, perhaps naïve question of what managers really do has stimulated a number of studies focusing on a variety of different managers. However, a shroud of mystery still covers "managerial work." Scholars in this field admit that progress has been unsatisfactory, the answers incomplete, and the integration of the various contributions inadequate. Few would question the relevance of the subject--studying these socially vital jobholders, their work, jobs and behavior--but one must recognize the challenges still present. Unfortunately, the topic of the managerial role now seems rather passe, and few new studies have been undertaken.

Tracing back to the classical school of management, the current dogma of managerial functions of planning, organizing, leading, and controlling pervades management thought and practice. However, there is no consensus about what the relevant functions of management really are (see e.g. Hales 1986). Managerial work has also been studied more practically by some researchers who have favored either the inductively oriented job-analysis (see e.g. Stewart 1982), work activity (see. Carlson 1951, Mintzberg 1973) or managerial behavior (see e.g. Sayles 1964, Kotter 1982) studies. Their contribution has shed light on different aspects of the issue what managers really do. The fundamental aim has been to relate managerial work to reality. These lines of endeavor have approached the research subject--whether "jobs" or "work"--by describing its general nature, characteristic features, and lists of task elements.

An important influence has been Stewart's extensive contribution (see e.g. 1967, 1976, 1982). Her model of factual and perceptual demands, constraints and choices formulating managerial jobs has proved to be useful. Fondas and Stewart (1994) have further elaborated this theme and presented a comprehensive integrated framework suitable for analyzing managerial behavior from an enactment perspective (see also Tsui 1984). Sayles (1964) first identified the political nature of managerial behavior. He also stressed clearly the importance of the horizontal and/or nonlinear dimension in managerial behavior and introduced the idea of relationships as modifiers for managerial assignments.

Mintzberg's (1973) well-known description of managerial roles and characteristic features has a high level of face validity and intuitive appeal. In Mintzberg's empirical study of five chief executives he concluded that due to occupying a position of formal authority, the manager is immersed in interpersonal relationships. These relationships provide access to informational roles, which in turn enable the CEO to perform his decisional roles. Finally, Kotter's (1982) main contribution is the introduction of networks and networking (see also Sayles 1964). The most stimulating aspect for this study is his implicit insights of managerial work "as a medium as well as an outcome of the interpersonal networks in which it is embedded" (Willmott 1984, 358).

Our approach is to build on the classical view of managerial behavior by adding two new perspectives, those of leadership proper and role theory. Our choice of perspectives was based in part on the hermeneutical dialogue between original theoretical ideas and the qualitative data collected. The first additional perspective is leadership, which is embedded in the focal phenomenon (see Sayles 1964, Mintzberg 1973, Kotter 1982). Actually, the choice was inevitable--for us leadership reflects the essence of management, especially in its external context. Some scholars have suggested the concept "representational leadership" for externally oriented leadership behavior (see Hunt 1991).

However, we propose that external leadership does not diverge fundamentally from internally oriented leadership.

To fit the external context we define leadership rather broadly. From hundreds of definitions available (see e.g. Bass 1981, Yukl 1989, Hunt 1991, Bryman 1992) we adopt the basic idea of interpersonal influence, the common denominator in a variety of definitions. The emphasis is on the interactive and mutual nature of influence that extends across, over and beyond the vague organizational boundaries. To put it still further, we prefer observing this interpersonal intentional influencing between a CEO and his/her external stakeholders as a contingent and political phenomenon. This implies that both parties want to further different interests and values and from time to time the roles of the influencer and the influenced may be changed.

Role Theory Perspective

The second perpsective we add is role theory. It is concerned with studying behavioral roles characteristic of persons and context. In this paper we have adapted the social psychological role theory presented by Katz and Kahn (1966/1978). It has provided the essential means of integrating the other perspectives chosen and for theoretically analyzing empirical data. The role framework is generally useful for analyzing occupational and social positions. Associated with each formal position and social status including that of the CEO is "a set of activities or expected behaviors" (Katz and Kahn 1978, 188). The focal person is thought to behave in relation and in response to these expectations sent by his/her role senders. Second, the expectations concerning appropriate behavior, as well as some of the rewards and punishments concerning compliance with these expectations, are communicated during interpersonal interactions between the focal person and role senders. Correspondingly, interpersonal interactions or contacts are the essential element in managerial activities, as evidenced by virtually all scholars in the field.

Thirdly, thanks to critics of role theory (cf. Biddle 1979), it has been pointed out that focal persons can influence their role senders, too. For our framework this emphasis on one's own choice implies that by leadership the manager can become the source or otherwise affect the expectations sent (Fondas et al. 1994). Whether this cyclical process is called "expectation enactment" or leadership, the outcome of this intentional modification of expectations and mutual adjustments may culminate in a situation in which the expectations of the role senders will iteratively converge on the self-expectations of the manager. And finally, as Tsui (1984) suggests, managers' perceived compliance with the expectations held by the role senders has close links to their judgment about their reputational effectiveness, an issue largely ignored to date. She also suggests that the effectiveness of a focal manager depends on both the nature of the expectations and the influence relationships among the role senders.
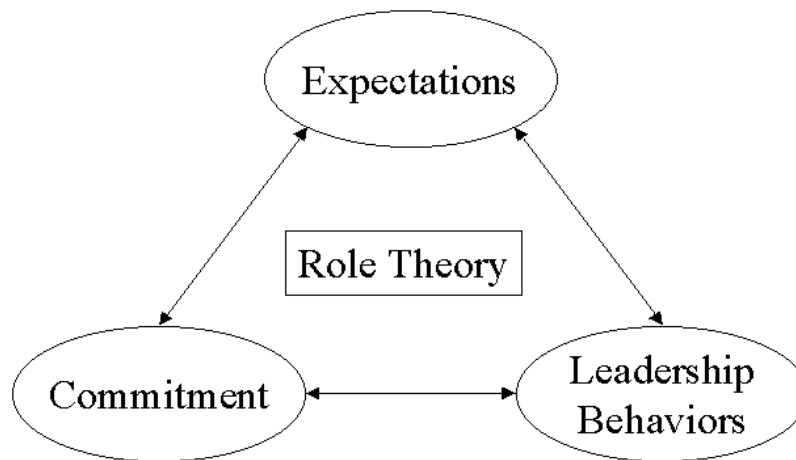
Figure 1. Interaction of expectations, commitment, and behavior.

Role theory has been proposed as useful means for analyzing both the influence of expectations on managerial behavior and the effect of individual actions and preferences on behavior (Hales 1986). Concerning the managerial role, however, it is very unclear as to how 14-point prescriptions or lists of managerial functions are translated into managerial actions. We propose the framework outlined in Figure 1 to relate the concepts of managerial behavior, expectations, and commitment. Role theory explains the interplay among the expectations (self- or other-expectations), managerial commitment, and leadership behaviors.

As can be seen in Figure 1, managerial leadership behaviors are influenced both by the manager's commitment and by his/her role expectations. The model also describes the mutual influence between expectations and commitment, which are seen as potentially mutually reinforcing. Role theory also describes common problems with the enactment of roles, whether managerial or other roles. Specifically, there may be role conflict, role ambiguity, or role overload. In our research, the most commonly identified role difficulty for managers with regard to commitment to quality has been role ambiguity, a lack of clear understanding regarding the manager's specific responsibilities and requirements vis-à-vis the quality initiative.

In the Finnish case study reported later in this paper, the CEO's external network of stakeholders is perceived as his/her primary role senders. They communicate their expectations--demands and constraints--during the continuous interactions with the CEO. The received role consists of the research subject's perceptions and interpretation about this sent role. Role behavior is partially the CEO's response to these expectations and in part it reflects his/her own behavioral choices including self-expectations. Here we propose that a CEO's actual role behavior will eventually reflect the current outcome of this mutual process, "the shared expectations." These shared expectations will be illustrated by the empirical roles of the CEOs, which are supposed to consist of mainly the positional but also the personal expectations for the managers in question (see Biddle 1979). Each manager has an integrated role or a gestalt--the fundamental expression of his/her response--and some supporting roles directed to different stakeholders (cf. Mintzberg 1973). However, the enormous diversity and ambiguity of the expectations is believed to be indicative of role differentiation, too.

Managerial Role and Commitment

The role of managers in organizational change and managerial commitment to change are key concerns for organizations. Commitment has become an element of the dynamics of business strategy (Ghewamat, 1991). Managerial commitment processes are not well understood although management commitment is commonly stressed in the management and organizational change literature (Beer et.al, 1990, Mezias & Glynn, 1993, Tushman & Romanelli, 1985). Systematic evidence of the behaviors stemming from commitment and the development of commitment itself is rare. In managing organizational change, managerial commitment draws on one of the core concepts of leadership, interpersonal influence (Yukl, 1989), and on the important role that managers play as change agents and catalysts. Any type of change requires managerial support and commitment (Mezias and Glynn, 1993), in essence, a powerful actor for leading and accomplishing change efforts. As Beer et al. (1990) contend, "Corporate renewal is not an impersonal process unfolding of its own accord. It is possible only when individual managers at the unit and corporate level have sufficient *commitment and skills*."

Management commitment is a natural, active part of the dynamics of the process by which organizational changes are realized. A collaborative/participatory management style seems to be essential for the process of implanting new ideas and systems. As Hoffherr et al. (1994) put it, "The new ideology must frequently be a championed cause, introduced and sustained by one strong leader."

Commitment has been studied as organizational and work commitment. The research has mainly focused on the work force (Locke et.al, 1988) and rarely on managerial level. In these studies, the individual commitment has been defined as organizational or goal commitment. Goal commitment is closely related to goal acceptance: by definition it refers to the individual's attachment to a goal or determination to reaching a goal (Locke et.al, 1988). Organizational commitment can be defined as the relative strength of the identification of an individual with and involvement in a particular organization (Modway et.al, 1979). Based on these definitions, commitment is an active relationship with an organization, not just a passive membership.

Two major approaches to studying commitment have been applied in commitment research. First is the behavioral approach, which focuses on commitment-related behaviors (overt manifestations, actions). Second is the attitudinal approach, which refers to the individual's identification with an organization and its goals (manifested in opinions and beliefs (Modway et.al,

1979). In the case study reported later in this paper, both approaches are combined, and managerial commitment is explored by gathering data on managers' perceptions. Commitment can be inferred from managers' perceptions of their actions and beliefs. As a starting point, we assume that commitment is an active relationship to an organization (not merely membership). Managers' commitment is considered to originate in two main areas; first, in the core idea of influence in leadership (see e.g. Yukl, 1989); and second, in the management's essential role as a change catalyst and leader. Deep commitment of management is a sent role expectation (a significant role requirement) in the implantation of quality management thinking in an organization.

Managerial Role and Commitment in Quality Management

Nowhere is the need to understand the managerial role greater than in the area of total quality. It is by now obvious to even the most casual of observers that quality has become an indispensable competitive weapon for organizations, yet the term remains elusive. According to Garvin (1988) "quality is an unusually slippery concept, easy to visualize and yet exasperatingly difficult to define." We have adopted the following premises in our work: A global definition of quality does not exist; Quality is considered a multifaceted construct of many meanings; Different quality definitions are appropriate in different circumstances. "Quality" is a socially constructed concept that is context-specific in nature. It cannot be understood without relating the concept to the society/person that/who gives meaning to it. Contextual quality studies are thus needed to make theoretical advances because the ambitious search for a universal definition of quality has yielded inconsistent results (Reeves et.al, 1994).

Furthermore, quality in the managerial context is considered holistic. This is, in fact, an argument for *total* quality *management*. Because quality is included in all functions and operations in an organization, a total managerial approach (i.e. coordination and integration) is required to avoid a fragmented approach and the dominance of one function in daily practices. An important role of management is to combine and integrate different perspectives on quality to create a commonly shared and clearly understood language.

Total Quality Management (TQM) has permeated organizations globally in the late 1980s and early 1990s. But in spite of this huge popularity, systematic evidence on quality management practices is relatively scarce. In the field of quality management, commitment to quality, in particular, has been prescribed as a crucial requirement for the successful implementation of quality improvement. The managerial role is highlighted as an antecedent in carrying through quality improvement processes (Crosby 1979, Deming 1985, Feigenbaum 1983, Garvin 1988, Juran 1988). According to Juran's famous cliché, "management commitment is pertinent to every successful quality revolution, no exceptions are known!" However managerial commitment processes are not well understood and the relationship between managerial commitment and expectations is rarely examined.

Total Quality Management (TQM) can be conceptualized as an entire management system (Feigenbaum, 1983). It is multidimensional in nature including ideological aspects (way of thinking) and quality techniques or tools. As a managerial "art" TQM can be outlined as a system encompassing a loosely related but significant set of philosophical principles and managerial procedures. The essentials of TQM can be briefly summarized as follows (Savolainen, 1997):

    1.   A broad conception of quality, referring both to the quality of the product (end result) and of the activity (process)

2.	A uniform value base of the importance of quality. Quality as an instrumental value; for enhancing competitiveness and profitability
3.	Customer-driven quality as the main strategic priority
4.	Managerial leadership and support (visible and effective)
5.	Employee involvement and empowerment (vertical deployment)
6.	Continuous improvement as an orientation toward change implementation (prevention rather than inspection as a leading principle)

The successful implementation of TQM is an organizational change process, which often requires an extensive cultural change and, thus takes years to become embedded in an organization (Crosby 1979, Deming 1985, Lascelles and Dale, 1990). Getting to TQM requires management commitment to change. In the quality literature, however, management commitment seems to be a self-evident prescription widely stressed as a necessary requirement (expectation) for management. But it apparently has not been called into question. In the quality management literature, management role is considered preeminent, indispensable, or even crucial (Crosby 1979, Deming 1985, Juran 1988). Prescriptions of management's duties include the following responsibilities and means: shaping organizational culture by advancing quality awareness and values, strategic quality management, the development and communication of quality policy, setting quality goals and measuring them, and standing for quality systems development.

Framework for Understanding the Managerial Role Perception and Enactment

Drawing from these separate lines of reasoning, we develop the following framework for understanding the manager's role. Because the managerial role is contextually-driven, we expect different CEOs and managers to develop different role perceptions and to enact their roles differently. But this framework describes a process of developing understanding of how these perceptions are influenced, and how, ultimately, the behavior of a given leader reflects (and is reflected in) the expectations of self and others. The factors we considered are dominant expectations, the manager's stakeholder network, the dominant alliance within the stakeholder network, the manager's "holistic" role, the differentiated managerial role, the primary role sender for the manager, the leadership style of the manager, his/her personal style, and his or her management focus (whether strategic, tactical, or operational). Below, we discuss further the sources of role definition and role expectations. This framework was used to categorize the external behaviors of the four CEOs in the first study described in the following section.

Dominant Expectations. A primary concern in managerial behavior and the enactment of the managerial role is the question of whose expectations dominate. Are the dominant expectations those of the person (internal), or those of others (external), or is there balance between internal and external expectations?

Stakeholder Network. The manager's stakeholder network may be narrow or wide, diffuse or focused.

Dominant Alliance. The manager's behavior will be most directly affected by those members of the network with whom he/she is in coalition or alliance.

"Holistic" Role. This concept refers to the self-image of the manager, or how does the manager see him/herself in *toto*?

Differentiated Roles. The holistic role is subdivided into competing and sometimes conflicting sub-roles.

FINDINGS FROM TWO CASE STUDIES

In two qualitative empirical case studies, we sought to understand the relationships between role perceptions and managerial behavior (Wahlgrén, 1995, 1997) and among management commitment, expectations and corresponding managerial actions (Savolainen, 1994). Below, we briefly present the key findings of these studies and then draw conclusions from both studies in the light of the framework we have developed for understanding the interplay among expectations, commitment, and managerial behavior (see Figure 1).

Study One--Perceived Role and Managerial Behavior: The Case of Four Finnish CEOs

In this study, we defined all people and groups outside of the formal control of the managers in question as "external." By the external focus and the top-level orientation we highlight the growing importance of nonlinear managerial work, the expectations of external stakeholders and extensive leadership thinking. Our approach begs the question of the relationship between environmental determinism and expectation enactment in external managerial behavior. By enactment we refer to the notion of managers proactively creating suitable environments for themselves (see e.g. Weick 1969, 1979). The selected managerial work elements are mainly deduced from those inductively oriented studies, which can be integrated with external focus (see e.g. Stewart 1982, Fondas et al. 1994, Sayles 1964, Mintzberg 1973, Kotter 1982).

The empirical study concentrates on describing and analyzing the external managerial behavior of four Finnish CEOs. As primary theoretical argument for the setting we first presume that both the possibilities of choice and the load of external demands and constraints are most evident at the top level (cf. Pfeffer & Salancik 1978). Second, we want to point out the amount of effort and time the managing directors invest into externally oriented behavior.

Research Methodology

Traditionally the scholars in inductive management studies have used both quantitative and qualitative approaches. The proponents of the former methodological approach favor large samples and statistical analysis aiming at generalizations. The typical methods have been structured observation and surveys. The supporters of the qualitative alternative have a different philosophy of science as a starting point and thus divergent goals. The aim for increased understanding of a complex phenomenon has been the leading motive for these researchers.

The main methodological positioning of this study is analogous to many studies of managerial work and/or job-analysis tradition. We have adopted a holistic view of the phenomenon and for this purpose a case study approach has been chosen (see e.g. Yin 1989, Gummesson 1991). The basic research question of the original study follows: *what is the external managerial behavior of the CEO and how is it formulated?*

The empirical part of the study draws on the experiences, thoughts, perceptions and actions of four Finnish CEOs. In order to create in-depth descriptions and to try to understand the subjects' realities we have had to limit the number of those studied. The case managers were chosen by using

a two-dimensional framework as a starting point. The first dimension was the "status" of the CEO, employed manager vs. self-employed owner/entrepreneur. Secondly we used the type of the firm--industrial vs. service sector. In addition to this we have used purposeful stratified sampling (see Patton 1990). The strategy for selecting the CEOs--Heli, Tapani, Kalevi and Marja--was to have different, illustrative and thus very informative cases.

The subjects have been studied by using different methods: diary techniques, observation, interviews and written documents. This triangulation increases both the validity and the reliability of the data. The fundamental idea in fieldwork has been to use the prevailing data in providing increased understanding for further data collection.

The study adopted a contextual approach, seeking to describe the externally-oriented behavior of the case study manager in its social context. The intention was to describe all CEOs and their firms together with their external stakeholders and business environments. All the CEOs have read and accepted the original case descriptions and role interpretations (see Wahlgrén 1995), which represents an essential confirmation for the validity of the study.

Key Findings

The contribution of the perspectives used revolves around expectations. The expectations sent by the external network of stakeholders and the self-expectations of the CEO seem to formulate the external managerial behavior of the subjects. The focal CEO's managerial behavior, existing expectations and the relationship between these two are shaped and refined during a cyclical, interactional process. This process results finally in a reduction of role ambiguity for the CEO. Both the holistic role and the differentiated roles emerging from the data aim to capture the essence of the behavior instead of trying to explicate roles as concrete descriptions of individual acts or actions.

The stories of the business seeker, the networking novice, the politicking negotiator and the teacher are both fascinating and challenging in their diversity. These holistic roles highlight strongly the significance of the CEO's personality including such important inner forces as aspirations, needs, fears, defenses and self-images. As regards to the female CEOs there seems to exist a partial lack of fixed expectations. Marja and Heli have utilized this extra chance for choices and filled the void by skillfully enacting their self-expectations reflecting their idiosyncratic characters. Although there are some differences in the differentiated roles of the CEOs, too, each of them is expected to take care of the spokesperson and troubleshooter roles. The coexistence of these roles suggests that they basically reflect expectations sent for all incumbents of a CEO's position (cf. Mintzberg 1973).

The possibilities and the resultant vigor of self-expectations in formulating the CEO's managerial behavior seem to be remarkable. In three of the four cases the external managerial behavior is mainly adapted by one's self-expectations and the enactment of expectations is enabled and facilitated by leadership. The basis for this interpersonal influence is to be found in the CEO's perceived expertise, charisma and/or credibility. The variety of interests puts also emphasis on the political aspects of leadership including negotiation skills. The successful compliance with expectations seems to create preconditions for a process leading into a self-fulfilling prophecy (cf. Eden 1993).

The case managers modify their external contexts by leadership and the context modifies their behavior by demands and constraints. The importance of organizational context including the macro level interdependencies and organizational variables (e.g. structure, size, division of work, resources)

remains ambivalent. The general impact is reflected in how the CEO perceives his/her strategic domain. Marja highlights the point, Kalevi feels to be in control at the moment, Tapani evades the basic question and for Heli these demands and constraints seem to be indifferent. Some of the effects are mediated into the personal domains of all CEOs, even though they might at least partially neglect those expectations. The status of the CEO--whether an entrepreneur or an employed professional one--does not necessarily determine the width of the personal domain. On the contrary, the cases indicate that the personal domain can, at least to a certain extent, be deserved and taken: in addition to expertise and reputational effectiveness with skillful enactment of expectations.

The contribution of personal relationships as formulating external managerial behavior appears to be remarkable as anticipated. Every CEO has a multilevel network of external stakeholders tied together with different bonds. The close social and emotional ties of the CEOs' core network imply about both evident interpersonal attraction and the high frequency of interactions, which both further the enactment of expectations (see Fondas et al. 1994). As regards to more formal work related networks the importance of economical ties increases and the CEOs must obviously comply with some expectations of their critical role senders. The networks of Kalevi and Marja are focused, especially compared with those of the owner managers consisting of various relationships established during long work histories. The main interpretations are summarized in Table 1.

Table 1. Role characterization of four Finnish CEOs (adapted from Wahlgrén, 1998)

Dimension	Managerial Leader (CEO)			
	I	II	III	IV
Dominant Expectations	Self-expectations	Expectations of others	Self-expectations	Self-expectations
Stakeholder Network	Wide Multilevel	Narrow (but widening)	Focused (highest level key players)	Focused (mainly top level)
Dominant Alliance	Customers Potential partners	Customers Networks	Group Board Local authorities	Customers Group Partners
"Holistic" Role	Business seeker	Novice	Negotiator	Teacher
Differentiated Roles	Entrepreneur General visionary Business link Figurehead	Networker Salesperson Troubleshooter Figurehead	Networker Spokesperson Balancer	Coach Information seeker Troubleshooter Catalyst
Primary Role Sender	Customers	Co-owner	Retailing group	Customers
Leadership Style	Charismatic leadership	Shared leadership	Political leadership Distant charisma	Charismatic leadership
Personal Style	Flamboyant	Affiliative	Diplomatic	Modest
Management Focus	Operational	Operational	Strategic	Operational

The empirical findings can be reduced to a proposition lending support to role theory: *the external managerial behavior of the CEOs is circular.* They also support partially the model of expectation enactment presented by Fondas and Stewart (1994), in spite of the external focus. Most CEOs' roles reflect considerably their self-expectations. Many variables dealing with either the characteristics of

the CEO or the relationship between him/her and the role senders have facilitated the enactment of these shared expectations in this study. The analysis indicates the positive influence of the perceived effectiveness of managerial behavior, the frequency of interactions, the personality and the gender of the CEO, and leadership. With support of these variables together with either factual or perceived compliance with enacted expectations a positive circle of expectations--a sort of halo--starts emerging. This potential self-fulfilling prophecy calls for confidence in the CEO's ability to comply with expectations, which may be created by leadership and facilitated by influential referees, networks and the media. Surpassing the level of expectations and constantly fulfilling critical expectations will strengthen the positive judgements.

The circle of external managerial behavior can originate in many variables outside the control of the incumbent. A heavy resource interdependence of the company obviously makes the enactment of expectations difficult. The situation is complicated if the expectations sent are contradictory, the macro level interdependence(s) strong and the personal variables of the focal CEO unfavorable. One alternative choice is to try to make changes in the stakeholder coalition by means of new combination. This implies a strategy of finding new groups more receptive to one's self-expectations. The clever adjusting of self-expectations to the interests of the powerful stakeholders could perhaps help in breaking out of the vicious circle.

Leadership is embedded in the core of external managerial behavior. The impact of leadership on enacting expectations is essential. In the light of the empirical cases the categorical differentiation of "external leadership" is not relevant. In addition to expertise, the leader's personality and political skills are highlighted. The female CEOs emphasized their charisma, intuition and visionary leadership furthering the interests of the stakeholders. On the other hand, the male CEOs were more apt to taking advantage of the informal networks mobilizing influence. As a whole, the proactiveness of behavior indicates also intelligent social action: the CEOs' self-expectations mirror skillful tactical and strategic anticipative reflection.

Study Two-- Development of Managerial Commitment in a Finnish Manufacturing Company

Case Study Setting and Methodology

The case study was conducted in a medium-sized, family-owned but professionally managed Finnish company. The company was in the mature stage of its life cycle and the organizational culture was at least partly dysfunctional. The competitive environment of the company had undergone major changes; the struggle for market shares and price competition had substantially tightened in the late 80's and early 90's. This company employed 270 workers including a few subsidiaries. Net annual sales were about 24 million US dollars

A qualitative case study approach was adopted in this study, due to scarce empirical work in this area. Concentration on one company made it possible to produce empirically-grounded results through rich descriptions, in-depth analyses and thorough interpretations. Methodologically, the study can be categorized as an inductive type of research meaning that the fieldwork played an important role.

The following questions were addressed to explore the relationship between managers' perceptions of their role in quality leadership, the enactment of the role and managerial commitment formation: How do managers perceive the concept and role of quality? How do they perceive their

role in quality management, what they expect of themselves and what is expected of them by subordinates? Does the management commit itself to the change process and how, in other words, how do managers perceive and experience commitment and how is it created? Finally, how do managers demonstrate their commitment?

The intensive collection of mainly qualitative data was made by open-ended and semi-structured in-depth interviews with the whole top and middle management, and with the project manager. In addition, a handful of supervisors and workers were interviewed, 16 interviewees in all. Complementary written documents were used, including the minutes of meetings, annual reports, in-house journals and announcements and documents of the quality system project. Temporally, the data included both past and present observations covering the period of about four years (1990-94). All interviews were recorded and transcribed. For the analyses and interpretation, transcriptions were sorted out by themes and by managerial levels.

Key Findings

The idea of implanting a new quality management system had been germinating a few years before the final decision was made by the board of directors. The awakening to quality took place gradually in the company, and, finally, the need was recognized as the two major change factors matched each other; one of them was external: the increasing competition due to European integration, and the other was internal; developmental needs in different departments (functions). The interpretations of the change forces differed, however, according to the managerial levels. The main argument for the top management was external and the rest of the management mainly perceived the change factor as internal.

In the early phase of the process, there was a strong '*state of expectancy*' in the company. Managers spontaneously associated management commitment with quality improvement and regarded their role as significant (self-expectation). Top management believed that subordinates expected active and visible role of it but could not clarify the role in more detailed. In fact, the interviews among managers confirmed what the top management believed. Managers invested strong, albeit differing, expectations in a new quality management system. General expectations such as planning and goal setting, and the clarification of organizational quality philosophy were expressed. Their perceptions represented 'ideal' goals of a new management system at both the individual and organizational level. Individually, the way of thinking, attitudes and actions for each member of an organization were expected to change. Operationally, the quality system was perceived to totally and gradually change the company's 'way of action'. In the first phase, the expectations shaped into the idea (norm) of 'doing-things-right-the-first-time'. The concept of quality seemed to be "slippery" and elusive for the management despite of the fact that it was widely discussed. Quality was perceived as an unambiguous concept. Managers also expressed suspicions and uncertainty of the significance of the quality program for the company, of the achievement of commitment, and of the success of implementation. Middle managers, especially, were uncertain about what a new system would personally require of them (role ambiguity). Supervisors felt both enthusiastic and skeptic. Middle managers expected collective commitment among the management.

Concerning the management's *commitment-related actions*, the intensity and approach to participation varied. As a whole, a personal presence and contribution seemed to be lacking. Part of

the middle management regarded their participation as duty-bound. This group was concerned about the sufficiency of time and they mainly seemed to concentrate on daily routines.

Education and quality awareness did not seem to advance managers' commitment. Systematic training for the management was not organized at the beginning of the program and no quality advocate rose among management to propagating quality values consciously and visibly. The priority was given to constructing the quality system and quality values and philosophy was not discussed in the first place. Likewise, communication was not a managerial means for getting subordinates involved. In the involvement of subordinates, managerial actions varied from active personal participation (communication and exemplar) to nearly total passivity among both top and middle management levels.

As a manifestation of commitment, top management declared quality policy but was not actually visible otherwise. Middle management perceived the declared policy as the "framed picture of commandments" hanging on the wall, which was not realized in daily practices. It was a signal to the organization that top management was taking note of quality issues. The process of quality goal setting turned out to be difficult because of an elusive quality concept and management philosophy. Quality goals were discussed among managers but the development of measurement tools was perceived as difficult. It seemed apparent that in implanting a new quality management system emphasis would be on the improvement of the whole management system (on the strategic and operational planning and goal setting, in particular).

Middle managers expected top managers to play an active and visible role and considered top management commitment the most critical factor for their commitment. In addition, the support of the colleagues on the same organization level proved to be important for middle managers. The meeting practices of the management quality board illustrated the "faceless" role of the top management, as meetings were canceled repeatedly. This did not change in the course of a process. Due to this, the middle management expressed frustration and disappointment in the phase of transforming from the planning phase of the quality system to its implementation. Top management commitment remained "half-hearted" and middle management commitment remained low, as well (cf. Olian and Rynes 1991). The lack of commitment at the senior management level was related to the perceived meaning and content of change, and the strategy of change. Although the change program was organization-wide and top management was involved in launching the program, the change strategy, that focused on constructing a quality system, aroused skepticism as a bureaucratic tool for improving operational level processes. As a consequence, from the very beginning of the improvement process, there were doubts among the management about the successful integration of the new quality system with the company's management system. Top management willingly approved quality and regarded it as the important survival means for the company but was skeptical toward the functionality of the new management system at the same time because of bureaucracy and laborious sustenance and maintainability.

FINDINGS FROM A SURVEY OF U.S. MANAGERS

The framework developed previously was used to construct a simple survey, which was administered in spring 1998 to a sample of 32 managers in the United States. Respondents were students in a general management class at a state university in the southern United States. The

subjects were naïve to the theoretical framework before they completed the survey. The average subject had been a manager for 5.6 years. The majority of the subjects (21) were first-level managers. However, 11 of the subjects were middle or top managers. All subjects received extra credit for participation in the survey and were debriefed concerning the theoretical framework at the completion of the survey. The survey was exploratory in nature, and no claim is made as to the representativeness of the sample.

The survey was designed to test managerial perceptions of several dilemmas inherent in the managerial role. Items covered the subjects' perceptions of both the ideal and the actual source of dominant expectations, stakeholder importance, and stakeholder influence in determining both managerial roles and managerial behaviors.

Results of the analysis of the survey indicated that the perceptions of U.S. managers did not vary widely from those of Finnish CEOs and managers. Regarding the predominant source of expectations concerning managerial role and behaviors, the U.S. managers stated that ideally there should be a balance of internal and external expectations. In their actual practices, however, managers stated that the individual manager chooses an internal or an external focus rather than a balance. This finding was consistent with that of the case study of Finnish managers. The results are presented in Figure 2.
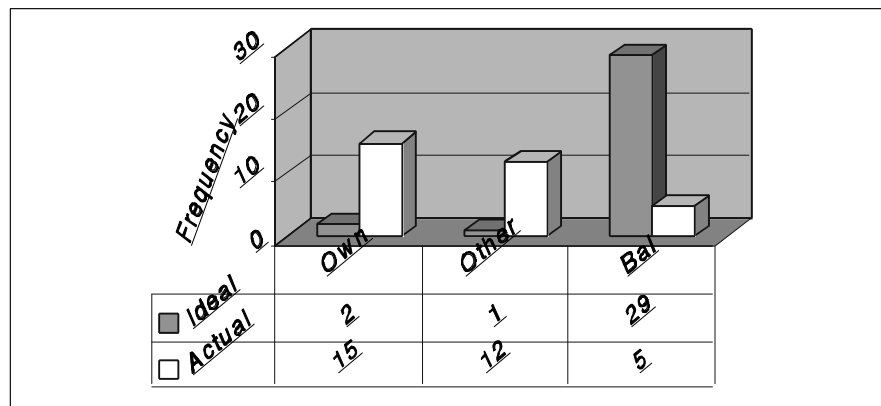

Figure 2. Managers' perception of role expectations.

Respondents were also asked about the network of stakeholders that affect the managerial role and responsibilities. The survey questions probed both for the importance and influence of various internal (employees, superiors) and external (customers, investors, the community) stakeholder groups. In Figure 3 are shown the results for the importance of the various stakeholders. Figure 4 provides the results for the relative influence of various stakeholders. As in the case studies of Finnish managers, the U.S. managers recognized the importance of customers. But for the U.S. managers, the manager's own bosses served as a far greater source of both importance and influence than did customers.

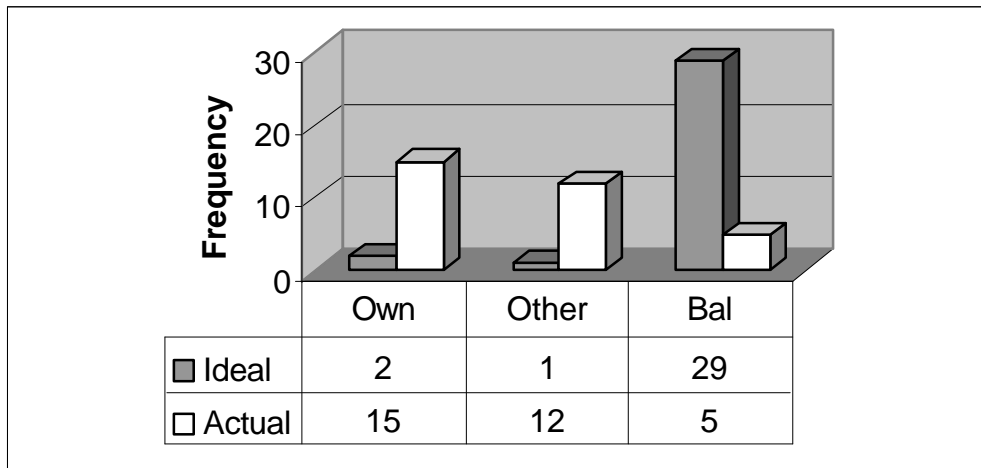|	Own	Other	Bal
■ Ideal	2	1	29
□ Actual	15	12	5

Figure 3. Perceived relative importance of various stakeholder groups.

As in the second Finnish case study, the U.S. managers apparently perceived the role ambiguity inherent in the difference between the ideal influencers of their roles and responsibilities (a balance of the expectations of bosses and customers) and the actual influencers (predominantly the expectations of their bosses). Additionally, the managers perceived the potential conflict between the expectations of various stakeholder groups. These results are shown in Figure 4.

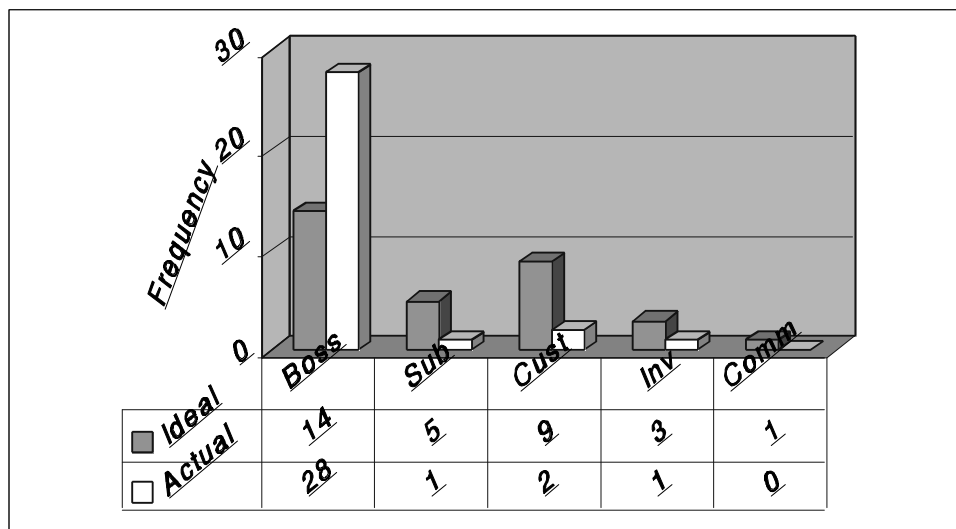|	Boss	Sub	Cust	Inv	Comm
■ Ideal	14	5	9	3	1
□ Actual	28	1	2	1	0

Figure 4. Perceived influence of various stakeholder groups on
managerial roles and responsibilities.

The survey results were consistent with the findings of the case studies. Moreover, the addition of a cross-cultural sample and a different research technique demonstrated both the robustness of the framework and the potential generalizability of the findings.

CONCLUSIONS

This paper deals with the *integration of theoretical concepts* and has enabled us to take a new approach to understanding the relationships among expectations, commitment and (internal and external) managerial behavior. The conceptual framework developed in this paper has been shown to be useful and potentially generalizable. The concept of expectation is meaningful both theoretically and practically: *expectations formulate our behaviors.*

Managerial behavior cannot be studied in isolation--neither from the rest of the person nor from the external and internal environments in which the focal managers work. In addition to describing and interpreting the managerial behavior in these cases, we have also tried to build understanding about how their behavior is formulating. The assisting perspectives, leadership and social psychological role theory have proved to provide consistent means for studying the phenomenon in question at the top managerial level of the companies. Although there are many alternative theoretical perspectives, which may provide important insights into the formulation of managerial behavior this theoretical framework has proved to offer a relevant means for an inductively and qualitatively oriented approach. The methodology used has enabled a holistic view of the phenomenon, unfortunately at the inevitable cost of generalization. The empirical findings presented in this paper cannot be generalized. Rather, the case of four CEO's emphasizes the idiosyncratic nature of the external managerial behavior, as has been originally assumed (cf. e.g. Miner 1987): the external stakeholders as role senders as well as their expectations seems to surpass those of CEO's subordinates. The primary importance of customers' expectations is worth reiterating. This supports prescriptions in the quality management literature of customer-focus as a basic strategic starting point for quality initiatives.

If expectations are accepted as a crucial element affecting managerial behavior and the dilemma of the relationship between environmental determinism and manager's own impact on his/her behavior considered worth further researching the methodological choices present evident challenges. The potential of observational studies to detect these cognitive social processes seems to be questionable (cf. Martinko and Gardner 1990). With regard to surveys the basic problem remains the same, but with skillfully designed questionnaires we could perhaps both empirically test the framework and move forward by refining it.

The findings from the case study of managerial commitment indicate that commitment formation is related to expectations but also to several other management and organization behavioral factors that shape commitment creation. The findings suggest that commitment creation is a culture-related process. The study reveals that the concept of quality is "slippery" and elusive for management despite of the fact that it is widely discussed. Quality is experienced as an ambiguous concept. This has an effect on the perceived and expressed role expectations which become unclear, and role ambiguity results. Role ambiguity is related to the role enactment, in this case in the demonstration (or lack thereof) of commitment (see Figure 1). Managerial commitment remains low. Deficiencies in the whole management system (vague philosophy and values, undeveloped planning and goal setting practices) had an effect on the progress of the change process. Overall, the dysfunctional organizational culture turned out to be a hindrance for achieving high commitment among management.

Concerning the relationship between commitment and expectations the findings indicate, in more detail, that managerial commitment is related to expectations through an intervening factor of managerial skills (ideological thinking about quality). Managers willingly talk about quality and regard it as a very important competitive means for the company. But if these perceptions remain elusive and unclear, they affect expectations and commitment formation accordingly. A circular behavior appears: as the concepts and tenets of quality management are not known, expectations become unrealistic or inarticulate, managerial commitment remains low and, consequently, ideas of quality are not shared in the organization. Thus organizational involvement remains low as well. Quality improvement efforts encounter resistance and even founder in the entire organization.

The findings from an exploratory U.S. survey demonstrated the robustness of the integrated framework and the potential generalizability of the findings of the empirical case studies to other managerial populations. More research in this area is obviously needed before far-reaching conclusions are drawn, but the preliminary results are both encouraging and highly suggestive of the possibilities of increased understanding of the managerial role.

The findings give support for prior descriptions of top managerial leadership as an indispensable requirement for successful change management (cf. Beer et al. 1990, London 1988), and highlight the role of embedded ideology in renewing organizational practices. As conceptual imperceptibility (vague quality philosophy) and low commitment have an unfavorable effect on the management of organizational change process, it is proposed here that the implantation of a new management system in the company requires good managerial skills (especially conceptual) to advocate ideas, concepts and values.

MANAGERIAL IMPLICATIONS

These case studies have important implications for managers. This paper proposes that shared expectations as manifested in CEOs' roles can contribute in furthering understanding about managerial behavior. If the relevant role senders and the CEO share the expectations for the latter's behavior to a sufficient extent, they will start treating the focal manager in a uniform fashion, too, thus reinforcing his/her role (see Biddle 1979, 123). This theoretical simplification seems to offer significant hope for the CEOs. By skillful enactment of expectations they may be able to take the lead among their external role senders, too.

The study of internal managerial behavior and commitment creation highlights the importance of managerial skills in the perception of expectations and commitment formation among management. This case implies the important role that a rooted managerial ideology plays in commitment formation and in the clarification of expectations, and the role of management, accordingly. Visible action in advocating new ideas and concepts is needed in organizational commitment creation. Conceptual skills in the implantation of new ideology should be taken into consideration more carefully. Managers must understand the concepts and basic tenets of a new managerial ideology to clarify the role they play in quality leadership. This understanding helps managers to internalize what is expected of them in implementing strategies for quality and to become capable of propagating the ideology organization-wide. This, in turn, directs concrete measures taken and effectively supports developmental efforts in the entire organization. The implication is that a shared ideology that has permeated the organization is important for creating managerial and organizational commitment in

the transformation of the new ideas into actions. The embedded management ideology is ultimately put into the test in drastic challenges of the business environment. Rooted ideology may develop into a 'mental buffer' and form an inimitable competitive advantage in the face of competition.

Taken together our studies demonstrate the need for further research into the source and leverage of various internal and external role senders in developing managerial role expectations. Our theoretical framework should prove useful for both qualitative and quantitative research into the managerial role. Most important, the development of managerial commitment to organizational change, especially to the implementation of total quality, seems to proceed most effectively if the managerial role is clearly defined and commitment can be translated into supportive behaviors. Our research shows that many of the failures in TQM implementation can be understood as failures of the organization to clarify the desired managerial roles, expectations, and commitment required to produce consistent, visible, and appropriate managerial support.

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EXTERNAL STAKEHOLDER PERSPECTIVE ON ORGANIZATIONAL GREENING PROCESS: FINDINGS FROM A LONGITUDINAL CASE STUDY

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ABSTRACT

This paper aims at advancing our understanding of the role of different stakeholders in the "greening" process of the company. The paper focuses on the influence of external stakeholders. In the face of external pressure companies throughout the world have had to pay more attention to environmental management: stakeholder activism has become a powerful force for greening and, thus, effective environmental management may form a clear competitive advantage for the company. As the processes by which greening occurs in sorganization are not well understood, this paper provides conceptual ideas and practical insights into environmental management processes from a stakeholder perspective. The paper is based on Finnish case study data that was gathered from the largest Finnish peat corporation. Practicak implications are offered for organizations wishing to manage environmental issues more effectively.

This paper proposes that external stakeholders are the primary impetus for the organization's greening. Without the pressures put on the company by its external stakeholders, environmental issues might not be taken seriously enough in the company's operations. Organizations need to become more active and enter into an ongoing dialogue with their green stakeholders. Stakeholder relationships should be created and maintained on the basis of cooperation to develop a proactive "green" management. Of the important skills required from the leaders, managers, and professionals is the ability and willingness to manage a large number of external stakeholder relationships. Stakeholders have a powerful influence on the development of environmental thinking of the company. This paper also proposes that internal change agents play a key role in organizational greening. Top and upper management's influence appears to be a catalyst that stimulates efforts toward clearer image of a "green" company. Deeper understanding of the role external stakeholders play may strengthen the competitiveness of the companies that pursue improved environmental performance. This paper is written for managers, professionals, and stakeholders in those companies.

Key Words: Environmental Management, Greening, Organizational Change, Stakeholders

INTRODUCTION

Today we can talk about a 'greening world' (Throop et al. 1993). The natural environment has become an important concern for organizations and this discovery has led corporations to reexamine their relationship with nature. Managers are realizing that *every organizational decision and action is interrelated with the natural environment in some way, either directly or indirectly*. But, business organizations are not making this discovery alone. The whole world is becoming more and more aware that we cannot live on earth without being in harmony with the natural environment.

While environmental management issues have become a major concern for people, businesses and governments throughout the world, studies show that this concern is not a passing interest: environmental protection is a top priority and it is likely to remain there (Winsemius & Guntram 1992). People have noticed the rapid deterioration of the environment, as the viability of ecosystems all over the world are threatened. While some disagreement relating to the scale of the problem or the ways in which it should be addressed exists, there is a general consensus that the environmental problems we are facing today are extremely serious (Welford and Gouldson 1993).

In this greening context characteristic important to notice and accentuate is the *increasing openness of business and society relationships*. People within and around enterprises demand two basic operations. First; human beings require more information about all kind of activities of firms, and second, for more fair play from the actual business of enterprises. These features are consequences of more sophisticated education and broader and deeper environmental consciousness among the people of the world. And this wave is to be adapted by tomorrows management - there is no space for denial. More and more often an ecological dimension is added to the list of corporate responsibilities, in addition to the economic, legal, social, and ethical responsibilities. The ecological responsibility has made greening more visible in many industries. More generally speaking, greening is often associated with environmental improvement (Barrow 1995) and often equated with ecological sustainability. Companies are in a situation where they must admit that if they want to survive, operate successfully, be accepted in the eyes of society, and respect the rights of nature, they must integrate environmental issues into the day-to-day practice of their organizations. Companies need to take seriously such issues as reducing the level of emissions, using natural resources wisely, protecting the environment, and improving the quality of life.

Why is it important to analyze the role of stakeholders and the effects they have on the environmental performance and the greening process of companies? In order to work more efficiently, governmental agencies need to better understand how their policies affect the environmental performance of organizations. Community and environmental action groups need advice on how to best influence corporate policies, and corporate leaders need to better understand what is going on in their organizations in order to be able to overcome the obstacles that impede greening (Gladwin 1993). This kind of analysis also enables companies to better comprehend and control the cause and effect relationships between the actions of stakeholders and the actions of the company. Failure to respond to stakeholder concerns often seems to lead to serious public issues.

However, responding to this environmental challenge is not an easy task. It is not enough that the behavior of a company is changed, new ways of thinking are also required if companies want to become more green. We may even argue that environmental issues must become the responsibility, task, and concern of every individual within each organization (Welford 1996). There are many

questions for which we do not have clear answers yet, but, it is extremely important to find answers, for greening is "absolutely the most important phenomenon of our time, as human survival literally depends on it" (Gladwin 1993:38).

More specifically, *the aim of the paper is to describe and analyze the greening process of a typically environmentally intensive firm.* Using an exemplar case we try to convince the reader how necessary to all that type of firms - large and medium-sized at least - it is to start and carry out greening process. Furthermore, our purpose is to show how effectively the stakeholder approach serves in identifying the role of external stakeholders in the process. Along the paper it becomes evident that the greening process like this is multifaceted as to stakeholders and areas of impact on the firm and *multidimensional* as to different management areas of the change. It is crucial to learn more about this multicharacteristical feature of greening process - it is eseential to each firm like this, regulators, activist groups and researchers, to name a few.

This paper presents findings and implications from a longitudinal case study conducted in Vapo Oy, a Finnish company, which operates in the peat and wood industry and encounters considerable environmental pressure in its operations. Vapo's Fuel Peat Division is the main focus of the case study because it is faced with the broadest range of environmental challenges. The study was concerned with the greening process of the company and the role that the stakeholders played in it. The time period for the study is from 1980 to 1994 and the total of 25 interviews were made among company and stakeholders. All the published and internal material of the company and its greening events, episodes and long-range processes were kindly available for study.

GREENING OF ORGANIZATIONS

Defining The Concept Of Greening

Although greening is an ambiguous concept and there is no one, generally accepted definition of the term we can define the "greening" of organizations as a process by which companies start to accept the importance of environmental problems and integrate environmental issues into all aspects of their organizations. About the contents of greening there are several major suggestions for defining the concept. In an extreme definition, the *term 'green' has become essentially synonymous with ecological sustainability* (cf. Stead & Stead 1992). As it is well known, the concept of sustainable development or sustainability has gained wide acceptance since the World Commission on Environment and Development - also known as the Bruntland Commission - made it as the conceptual centerpiece of a 1987 report. It is based on a system view of the ecosystem and involves meeting the needs of the current generation without sacrificing the ability of future generations to do the same (WCED 1987). *Greening has also been seen as a necessary, but not a sufficient condition for sustainable development. Corporate greening is also used in parallel with corporate environmentalism* (Post & Altman 1992). Where can we see greening then?

Something is considered to be green if it meets five basic criteria (Elkington et al. 1990):
1. It does not harm the health of people or animals,
2. It does not harm the natural environment,
3. It does not consume a disproportionate amount of energy or resources,
4. It does not cause excessive amounts of unusable wastes, and

5. It does not harm endangered species.

In other words, the greening process is building five criteria into business strategies, products, life-styles, and so forth (Stead & Stead 1992). However, achieving perfection in all of these five criteria at the same time seems to be an almost impossible task, especially when we are talking about industrial activity. Industrial companies almost inevitably harm natural environment and the health of people and animals, at least to a certain degree. Therefore, *there are many shades of green and greening*. Green can be seen as an ideal state in the same way as, for example, quality orientation. Greening is the continuous process of moving toward the ideal state as is the pursue of excellence for customers in quality management (Stead & Stead 1992, Savolainen 1997). As proposed by Stead et al. (1994), in order for organizations to turn green the managers of organizations are faced with "talking the talk and walking the walk of improved environmental performance." The talk includes such things as espousing organizational values, philosophies and visions based on ecological sustainability, integrating concern for the natural environment into organizational goals and objectives, developing explicit policies concerning the firm's relationship with nature, and communicating to managers and employees that they are held accountable for their environmental performance. The walk includes such things as hiring environmental professionals, gathering information related to environmental issues, providing environmental training for employees, developing methods for measuring employee environmental performance, incorporating environmental performance into the reward systems of managers and employees, and conducting systematic assessments of environmental performance. According to Stead et al. (1994), only through such rhetoric and action can organizations successfully undergo the process of greening. *Both 'talk' and 'walk' are needed*.

To sum up, *when talking about greening we mean a process that requires organizations to change their way of thinking and behaving at different levels*. Deep greening involves changes in organizational ideology as well as the behavior of organizations and is not just a technical problem as it has sometimes been argued.

STAKEHOLDER PERSPECTIVE ON ORGANIZATIONAL GREENING

When looking at greening from a stakeholder perspective we need to briefly consider the institutional greening. Both of these views emphasize that organizational choice is constrained by multiple external pressures. Also, both these perpsectives posit that organizational survival depends on the responsiveness of a company to external demands and expectations. *The stakeholder approach* acknowledges that multiple constituents exist within a firm's environment, but assumes that companies act competitively in determining their strategic actions (Bansal 1996). Thus, the stakeholder view does not take into account that companies respond not only to competitive pressures but to institutional pressures as well. In many cases, when dealing with environmental issues, companies cannot competitively determine their actions but are forced to think of the broader questions about social legitimacy which the institutional view highlights. It is our argument that the stakeholder perspective is more narrow than the institutional perspective.

The institutional approach emphasizes the importance of legitimacy for the success and survival of an organization (Lamb 1994). It suggests that changes in the features of organizations are introduced to align organizations with the changing norms and expectations of the institutional

environment. This includes institutions and regulatory structures such as governmental agencies, laws, courts, professions, interest groups, and public opinion (Oliver 1991). In this view, greening is foremost a result of firms seeking normative conformity and external legitimization (Gladwin 1993). Therefore, it can be expected that organizations which are confronted with institutional pressures adopt strategies that do not seem to serve their immediate economic interest but that guarantee their legitimacy. Organizations can increase their chances for survival by behaving in ways deemed legitimate by the general public and by other stakeholders. Legitimacy in the eyes of the institutional environment may also bring a greater ease of access to resources, enhanced status, greater invulnerability to questioning, and greater stability and predictability.

All in all, the stakeholder approach places more emphasis on formal institutions, such as government, consumers, and competitors, whereas the institutional approach also acknowledges socially constructed or informal institutions (such as social norms, religion and culture). Since concentrating here on a comprehensive phenomenon we select the stakeholder approach. As our stakeholder concept we lean on a classic and follow Carroll's (1989, 1993) definition:*" stakeholder is an individual or group that asserts to have one or more of the kinds of stakes in business. Just as stakeholders may be affected by the actions, decisionspolicies, or practices of the business firm, these stakeholders also may affect the organization's actions, decisions, policies or practices. With stakeholders, therefore, there is a potential two-way ineraction or exchange of influence."*

Can the Natural Environment Be a Stakeholder?

Today there is a lively discussion around the topic whether the nature should be named as a stakeholder or not. However, in Scandinavian countries, and especially in Sweden and Finland, there was a period of nearly twenty years beginning around 1965 when stakeholder thinking was one of the leading theories and approaches in business studies (cf. Rhenman and Stymne 1965; Näsi 1995a, 1995b). Given this range of discussion it is not surprising that the role of the natural environment as a possible stakeholder was raised during the early 1980s (cf. Näsi 1980, 1982). The conceptualization at that time is displayed in Figure 1.

The stakeholders (or interest groups) were defined consisting of individuals, groups, institutions and the natural environment which interact with the firm. All these systems have different expectations and demands on the firm and the firm is also responsible for all these systems (Näsi 1980, 1982). After this notion there was some debate about the role of natural environment, the major counter argument being: "Nature can not be a stakeholder since nature can not speak". Slowly this discussion, then, died down.

During the new rise of the stakeholder approach as a strategic theory for the firm, debate on the role of natural environment has revitalized, mostly now arguing for the positive conclusion. One of the major advocates of the stakeholder perspective in this sense is Starik (1993, 1995). In his view the natural environment, its systems and living and non-living elements should be considered stakeholders, since all organizations significantly affect or are affected by these entities.
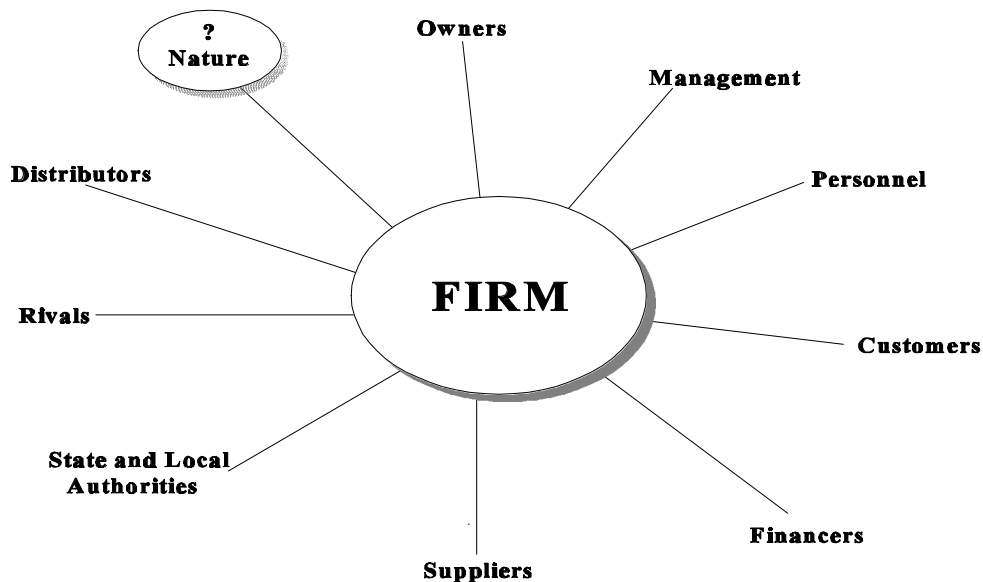
Figure 1. Can Nature Be a Stakeholder? (Adapted from J. Näsi 1980, 1982).

Also other authors explicitly define the natural environment as stakeholder. For instance, Stead & Stead (1996) have no reservations about the role of the natural environment: it is a very special type of stakeholder, an "ultimate" stakeholder. Their key referent is the Earth, the site for all business activity, the fountainhead for all the resources needed for the world's economies, and the sink into which all the wastes created by human economic activity are poured. Also Wheeler & Sillanpää (1997) bring European voice to the discussion. In their outlining the natural environment has an exploit and strategic role. They namely present a fourfold typology based on social or non-social and primary or secondary classifications. Social stakeholders can communicate directly with the firm; non-social cannot. In their definition primary non-social stakeholders include the natural environment, future generations, and non-human species.

Of course there are resisting voices in this debate, as those of Clarke (1996), Phillips and Reichard (1997) and Seligman (1995) but approximately speaking they tend to represent the minority. As a sharpener and compromise for the discussion Näsi and Näsi & Savage (1998) suggest, first, the idea based on a division between intentional and causal groups. All human stakeholders would be intentional - they have opportunity ti participate consciously and deliberately in the firm's decisions. In contrast, nature would be a causal stakeholder - not having a chance for playing and plotting, for instance. The other suggestion includes the idea that the nature absolutely has a stake but instead of being a holder of it, the natural environment might be called a stake-contender or stake-creator.

The debate continues. What we have wanted to underscore with these citations and speculations is *the fact that the natural environment seems to have crucial role in a typical present firm's decision making*. In this paper the natural environment will be implicitly named a stakeholder

as it soon will be revealed how close and intimate the relationship between our case company and the nature around it have.

Role Of Stakeholders In The Greening Process Of Organizations

The number of stakeholders who are interested in the environmental performance of companies has grown and the pressures stakeholders are placing on companies have intensified. It is unlikely that organizations invest large sums of money into environmental protection on the basis of their internal motives only and change their operational and strategic processes unless external pressure develops.

But, how does one determine which stakeholders are the ones who can affect the decisions, policies, or practices of an organization? And how are the stakeholders likely to influence the organization? The positions stakeholders assume will depend on their view of the issue and the intensity of their pressures are also affected by the nature of the operations of the company and by the location of the business. So called 'environmental firms' whose central activity involves the modification of the physical environment and whose impact on their own specific environment is pervasive and dominant, are likely to feel stronger stakeholder pressures than companies whose operations do not have such a clear impact on nature.

Examples of stakeholder activism are not difficult to find. Increasing numbers of customers have started to do more business with ecologically responsible companies and avoid those whose actions harm the environment. Customers affect both the input (process) and the output (products/services) of business systems. Further, local communities are demanding a high level of environmental performance from their industrial members; governments are increasingly passing new environmental laws; and competitors are closely monitoring the environmental performance of their rivals. Investors and insurers are more likely to give financial support to companies that have a proven track record of environmental integrity; the media is alert to report about environmental disasters to the public; the media together with audit agencies and environmental associations declare contests on best environmental audit reports and annual reports from the environmental point of view; environmental pressure groups have become more numerous and active; owners of companies expect high level of environmental performance from their companies, and so forth.

Moreover, the company's internal stakeholders, such as employees, have also started to pay more attention to the reputation of their company in environmental issues. Some companies that are known for not taking care of the environment are having difficulties in attracting new personnel and in maintaining the existing workforce in the company (Welford & Gouldson 1993; Dechant & Altman 1994). In other companies, employees can also take environmental initiatives and suggest environmental innovations.

Let us call a certain type of stakeholders "green" and define them as stakeholders who feel the relationship between a firm and its environment intimate. These green stakeholders may be internal and external and can be divided into four groups according to their interests towards environmental protection: 1) National or local *green pressure groups* and high-profile individual champions in society. These stakeholders often have an aesthetic and ethical interest in the companies' environmental performance (a concern for harmony and beauty), whereas the ethical interests could be a demand for complete and honest information about the environmental

performance of the company; 2) *Regulators* that are interested in applying environmental law to protect society from the environmental harm. They may also seek to gain more political power and control over the behavior of companies in environmental issues; 3) *Groups indirectly interested* in industry's environmental performance. These stakeholders want to gain economic benefits through the improved environmental performance of the companies but they may not sponsor environmental protection as an end in itself; and 4) *Internal stakeholders* who do not always have a common view about the importance of environmental issues. Some of them may not want to support the greening process of a company because they feel that their economic interests would be threatened, whereas, for some, the improved environmental performance of their companies may satisfy their aesthetic interests.

Influence Of Stakeholders On Organizational Greening

There appears to be wide agreement that greening of business is, in large part, a result of external pressures - stakeholder activism has become a powerful force for greening in corporations. Well informed and concerned stakeholders are alert to the environmental performance of firms. These green stakeholders do not hesitate to take action against companies which they perceive to be environmentally irresponsible (Dechant & Altman 1994). To be able to respond to stakeholder pressures and claims has become an issue of survival for organizations. According to Stead and Stead (1992:15): "No economic institution in a capitalistic democracy can survive if it does not properly serve the interests of its stakeholders, the constituents on whom it relies for economic survival. Thus a corporation operating in a free enterprise system must respond to pressures from its customers, investors, employees and so on. If these stakeholders demand that corporations need to be more environmentally responsible, then the corporations will have to comply in order to survive."

How do the actions of stakeholders affect the company? The effects of stakeholders on a corporation can be *economic, technological, social, political, and managerial* in nature (cf. Näsi 1980, 1992, and Freeman 1984). Economic effects may affect the profitability, the cash flow, or the stock price of the firm. Technological effects refer to a stakeholder's ability to enable or prevent the firm from using core technologies, developing new technologies, bringing existing technologies to market or by constraining what technologies can be produced by the firm. Social effects may alter the position of the firm in society, by changing the opinion of the public about the firm, or by allowing or constraining what the firm is able to do with society's permission. According to Freeman (1984), social effects frequently translate into political effects on the firm. Stakeholder actions often involve a political process in order to achieve a social purpose. And finally, managerial effects can force the company to change its managerial values and styles, and management systems and processes.

Since a great number of stakeholders may be involved it is impossible to present all of the different stakes of all stakeholders and their sub-groups over a long period of time. The organization is changing all the time and stakeholders' interests are not always stable. Therefore, it is necessary to understand the situation from the point of view of a stakeholder: how do stakeholders prioritize their stakes? Further, stakeholders who intend to force a corporation to change its behavior have a variety of options for doing so since a single stakeholder is capable of exercising more than one type of power (Frederick et al. 1992).

THE CASE OF A FINNISH PEAT COMPANY

Selection Of The Case

Vapo was selected for the following reasons: first, it was necessary to find a company and industry where environmental issues were of great importance and the change process was transparently observable. Peat production is clearly an industry where organizations' operations are based on using natural resources. When the peatlands are drained and used for the production of fuel and horticultural peat, the environment is affected in many ways. Second, Vapo is the largest peat producer in Finland (market share in the fuel peat market is almost 90 per cent), and, therefore, has been the target of some of the strongest environmental pressures presented by the opponents of peat production. Third, Vapo is 100 % owned by the Finnish state. The public often has higher expectations of companies that are owned by the state than of companies that are privately owned (Ketola 1991). The ownership of the company also influences the direction the company takes to become green. State owned companies are not as likely to take a short-term profit orientation which counters profound change as privately owned companies. Vapo also represents the views of the Finnish state in environmental protection. Finally, as a medium-sized company Vapo seemed to be an ideal object of study. The size of the firm seems to determine the level of impact and response to environmental issues. Small firms are often relatively unaffected by environmental pressures, and have not prepared any real responses.

Brief Overview Of Vapo

The Vapo Group processes and markets peat and wood. Peat is utilized as a source of energy and is manufactured as a horticultural growing media and products for use in agriculture, landscaping, and environmental protection. Of the total energy consumed in Finland, about 5-6 % per cent is produced from fuel peat. Today Vapo's production areas represent about 0.5 per cent of Finland's total area of biological peatland. The parent company consists of two divisions: the Fuel Peat Division and Vapo Biotech, which is the environmental business unit. The main focus of this study is Vapo's Fuel Peat Division since it is the one that encounters the greatest environmental pressures. The Fuel Peat Division is currently divided into three profit units: Eastern, Western, and Northern Finland. Each of these profit units operates relatively independently. In 1994, the Fuel Peat Division's sales formed 48.3 % of the total sales of the Vapo Group. The headquarters of the Vapo Group is located in Middle Finland. At the end of 1994, the Vapo Group, as a whole, employed 1077 employees, and from these an average of 415 worked for the Fuel Peat Division.

How The Greening Process Proceeded At Vapo

The development in environmental issues at Vapo between 1980-94 took place in different phases that can be divided into the following four periods: phase of denial, 1980-1981, phase of awakening, 1982-1987, phase of problem solving, 1988-1989, and phase of innovation, 1990-1994.
During the *phase of denial* the most important event that occurred was the incident on a production site in Western Finland: the protective structures of one of the company's peat production

areas were demolished by floods, and the nearby lake and river received overloads of solid substances. The reaction of Vapo to the incident was denial; it was commonly believed within the company that peat production did not cause any harm to the environment. But now environmental issues gradually became a topic of frequent discussion within the company. During the *phase of awakening*, the earliest concrete signs of greening became observable. The first environmental specialist was hired who started intensive research work for increasing the knowledge about the environmental issues related to peat production. At the end of this phase, Vapo had clearly awaken to see that the importance of environmental issues had grown so much that the company needed to take them into consideration in its all major operations.

During the *phase of problem solving*, a more systematic approach to environmental issues was adopted at Vapo. Instead of just paying attention to today's environmental problems, the company started to consider how it could solve future problems. During the *phase of innovation*, environmental questions became a part of Vapo's normal, business concerns and they were handled as one of the themes of the strategy making process. The company strived for comprehensive, environmental protection and wanted to be the leader within the peat industry and in taking care of environmental problems. During this phase, the company also had the opportunity to prove that environmental questions can bring competitive advantage to the company. By establishing the environmental unit, Biotech, and by using peat for environmental protection, Vapo was able to show that it does not only cause environmental problems, but that it can also solve them.

Overall, there is no doubt that Vapo's environmental issues are managed very differently now in the 1990's, than they were in the 1980's. The scale of this change has been illustrated in Figure 2. Greening has brought remarkable changes into the culture of the company, stimulated learning and made the company modify many of its operational measures, forced the organization to alter its decision making and communication processes, and so forth. Vapo has clearly moved from a technocratic orientation towards a more strategic approach on environmental issues. The organization members have moved from complete ignorance about environmental issues to a new level of thinking and attitudes. Today it is widely accepted and understood within the company that greening does not only involve technical issues, but is a broader, strategic question. The findings show that greening does not necessarily proceed as systematically and rationally as is often proposed. Moments of trial and error were essential in Vapo's process and learning from past experiences has been an important motivator for future planning. It is obvious that the company has not yet reached a moral or ethical level in its greening process. The main motivator for greening has been the company's desire to ensure continuous production. As an environmentally intensive organization it did not have any alternative to guarantee its survival (concluded by management).

Reasons For The Greening Process At Vapo

There is no, one single reason why Vapo seriously started taking environmental concerns seriously and why the attitudes and feelings of the members of the organization started to change. However, *the most influential, broader set of influencers* that has pushed the company to turn more green has clearly been the pressures placed on Vapo by its *external stakeholders*. The main reason why stakeholders have increased their pressure on Vapo is simply the lasting wave of new social values which emphasize the significance of environmental protection. Stronger opinions in public, in

addition, see that organizations should voluntarily take action to ensure that the environment is not harmed by their activities. Vapo is concerned with its reputation and image in the eyes of its stakeholders and the general public; consequently, what stakeholders think about peat production is important to Vapo. Negative publicity is something that the company tries to avoid, although, negative publicity has also been a motivator for greening within Vapo. Additional mental nationwide pressure to the company comes from the fact that Vapo is owned by the state of Finland.

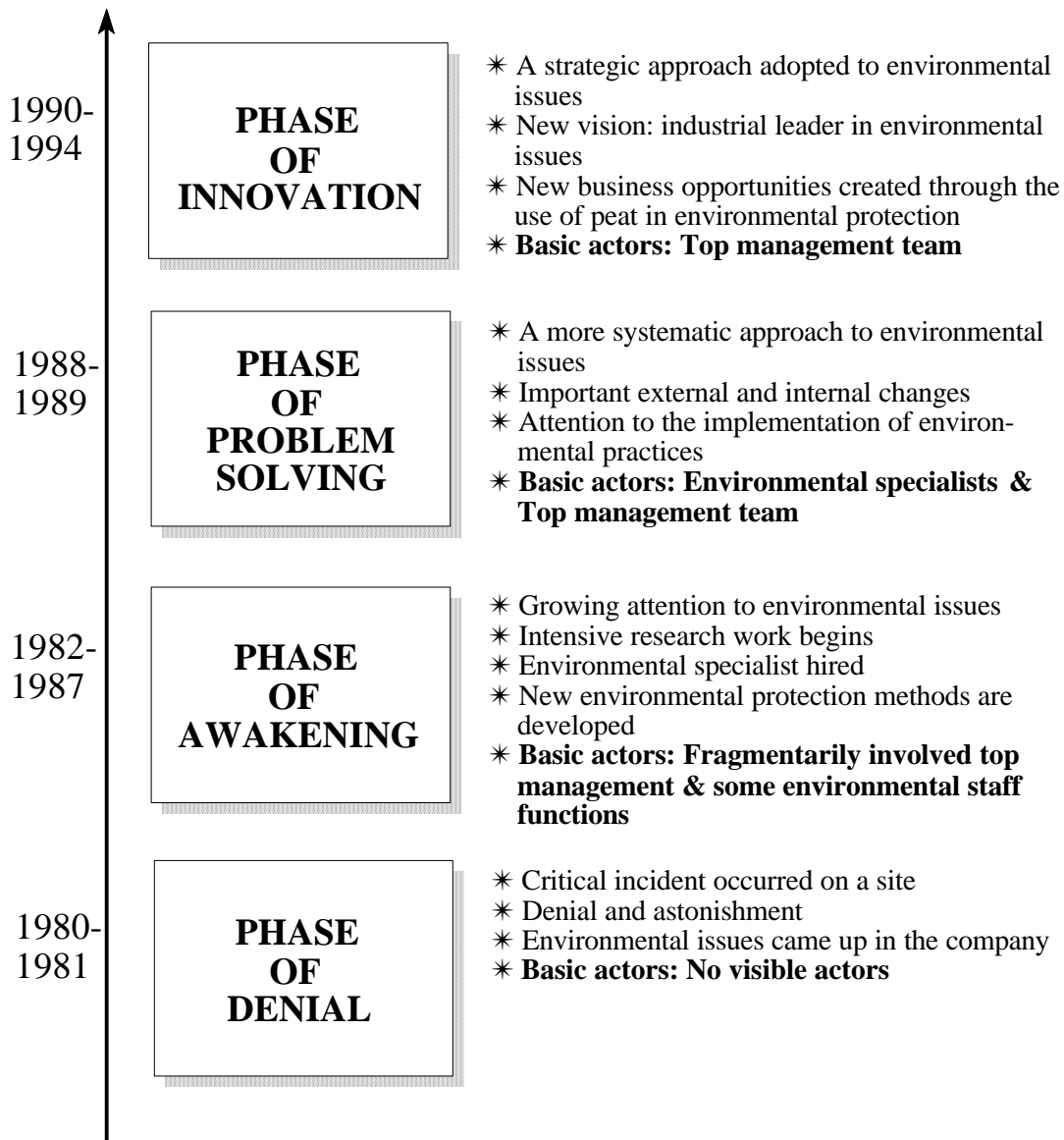|		
1990-1994	**PHASE OF INNOVATION**	✳ A strategic approach adopted to environmental issues ✳ New vision: industrial leader in environmental issues ✳ New business opportunities created through the use of peat in environmental protection ✳ **Basic actors: Top management team**
1988-1989	**PHASE OF PROBLEM SOLVING**	✳ A more systematic approach to environmental issues ✳ Important external and internal changes ✳ Attention to the implementation of environmental practices ✳ **Basic actors: Environmental specialists & Top management team**
1982-1987	**PHASE OF AWAKENING**	✳ Growing attention to environmental issues ✳ Intensive research work begins ✳ Environmental specialist hired ✳ New environmental protection methods are developed ✳ **Basic actors: Fragmentarily involved top management & some environmental staff functions**
1980-1981	**PHASE OF DENIAL**	✳ Critical incident occurred on a site ✳ Denial and astonishment ✳ Environmental issues came up in the company ✳ **Basic actors: No visible actors**

Figure 2. Summary of the four phases of the greening process in the case company

According to the common way of thinking, it is a duty of a state-owned company to bahve as a vanguard in all moral questions in business.

From the list of other reasons for greening, environmental disasters have been a strong motivator for greening at Vapo. Environmental incidents awoke the company to the vision of what can happen if environmental measures are not carefully implemented. Environmental crises have affected the company's way of operating not only at the disaster site, but also elsewhere in the country. Regulatory pressures have been very influential in affecting Vapo's greening process. In particular, the action of water authorities has strongly impacted Vapo's daily working practices pertaining to environmental issues. Also, new government legislation as well as the rapidly developing, international environmental legislation (especially legislation set by the European Community) has given impetus to the greening process. And finally, in the 1990's, Vapo's management believed that greening may bring strategic benefits to the company and this belief has encouraged the company to take a more active and systematic grasp of environmental issues.

Role Of Different Stakeholders

The most influential force on Vapo's greening process were actions taken by the external stakeholders. Among them, the most influential stakeholders were environmental authorities, water authorities, regulators, fishing authorities, local residents who live or have their summer cottages near to peat production sites. The media has been the most powerful stakeholder during the entire study period. The general opinion of the representatives of Vapo was that the external stakeholders have been the ones that have *initiated the change process*. The number of stakeholders who have influenced Vapo's greening process has grown through the course of the years, and the issues they have been interested in have changed.

Over several years the role of the company's internal stakeholder groups has become more important. The most influential change agents within Vapo have been the Environmental Manager and the CEO of the company (appointed in 1988) and without top management's commitment and boasting, environmental issues would perhaps have remained as a peripheral issue to organizational members.

About the conceptual discussion concerning nature as a stakeholder the general opinion of the interviewees was that it should be seen as a stakeholder simply because Vapo's operations are based on the use of nature's resources. Activity as to Vapo and its natural environment is continuous interaction "by nature". Nature also defines where peat producers can commence production. On the other hand, nature also helps peat producers and does not leave them alone. Especially when talking about the after-use of peatlands that have been released from peat production, nature is the one that takes care of the work with the help of humans. After the machines leave the peat production site, nature strives to restore the landscape with plant life. A site released from peat production can be allowed to revert to its natural state or it can be utilized for forestry, agriculture, creating natural reserves, and so forth.

Influence of External Stakeholders On The Greening Process At Vapo

The stakeholders have had many types of effects on the company's greening process: economic, technological, managerial, social/political, organizational, and cultural effects. These effects will be discussed next and clarifying examples will be presented.

First, stakeholders affect the organizational greening process by influencing the *economic* decisions the company makes concerning environmental issues (economic effects). An example can be found in the actions of the government and the water authorities. The tightening legislation concerning peat production and the actions taken by the water authorities have had a major economic impact on the environmental investments of Vapo. For example, the government's decision in 1988 about the "Program of goals for water pollution up to 1995", forced Vapo to make a greater investment in environmental protection than it had done earlier.

Second, stakeholders affect the greening process of a company by influencing the *technological* decisions and solutions the company makes (technological effects). Many different stakeholder groups had an effect on the technological decisions Vapo made during the research period. The above mentioned government's decision was especially influential in affecting the technologies that Vapo used on its production sites. This decision forced Vapo and other peat producers to build sufficient settling pools at every peat production site and imposed that all new projects had to provide the best water protection techniques. The decisions made by the authorities of the local Environment Centers and by the Water Rights Court also determined what technologies Vapo was able to use on its production areas. Furthermore, during the production season, the natural conditions and the nearby neighbors influenced the production methods that Vapo was able to apply at its production sites. Nature has also affected the technological solutions when Vapo's peat production sites have been located near areas that are conservationally valuable. Many of the innovations that have improved the level of environmental protection at Vapo's peat production areas have been made within Vapo or with research institutions. Contractors have also taken initiatives concerning environmental protection methods.

Third, stakeholders affect the greening process of a company by influencing the *management systems and processes* the company applies and by forcing the management of the company to change its managerial style and values (managerial effects). The changes in legislation concerning peat production have had a major impact on the management systems and processes at Vapo. The inspection directives, the advance notification procedures, and the government's 1988 decision forced Vapo's management to take environmental issues more seriously and to develop systematic planning and management systems for environmental protection. However, the legislation has not been the only factor placing managerial effects on the company. All of the external, key stakeholders have had an impact on the changes that have taken place in Vapo's management systems and processes, and in the managerial style and values of Vapo's management. Water authorities have tightened their grip on peat producers; fishing authorities have put more pressures on Vapo; the media has highlighted the environmental effects of peat production thus affecting the opinion of the general public; and the local residents who live close to peat production areas have become more active. As a result of these changes, Vapo's management now sees that if Vapo cannot protect the environment, there is no future for the company. The changes in Vapo's management systems and processes, as well as in the managerial style and values, have further been reflected in the practical measures.

Fourth, stakeholders affect the greening process of a company by defining the role of the company in the society and by constraining what the company is allowed to do with society's permission (*social/political effects*). The *media* has probably been the most important stakeholder affecting Vapo's acceptability in the eyes of a larger public. From Vapo's point of view, the effects of the media have been contradictory. On the one hand, the media has tended to highlight the negative effects of peat production thus encouraging people to form a negative attitude towards peat production, while, on the other hand, the newspaper articles and the TV-documentaries have also forced Vapo to pay more attention to its environmental performance. In addition, the decisions made by the Water Rights Court have been very influential in defining what Vapo is allowed to do with society's permission. The tendency in the 1990's has been that more and more advanced water protection measures have been required from peat producers. An example of the political effects stakeholders have created in the company is the work Vapo has done to convince the general public and politicians that peat is a renewable energy resource.

Fifth, stakeholders have influence on *organizational structures* and tasks in the greening process. Changes in legislation has been the main reason why Vapo has been forced to reorganize its organizational structure and hire additional personnel to manage environmental issues. However, complaints presented by the local statutory fishery associations and by the people living near the peat production sites have also created pressures for Vapo to increase the number of people working on and with environmental issues. In 1980, one person was responsible for the environmental questions in addition to his regular work. However, by the end of 1994, Vapo had 19 employees working full time on environmental protection and 137 working part time.

Sixth, this study shows that the pressures put on the company by its stakeholders have also influenced the *culture of the organization*. In Vapo's case it is hard to estimate which of the external stakeholder groups have been most influential in shaping the company culture. It seems that it is the interaction between Vapo and all of its key stakeholders that has initiated the cultural change. From the company's internal stakeholders, the top management's role has been important in enforcing the new culture. People throughout the organization have changed their behavior and the relationship between the company and nature is seen in a new light: nature is there not just to be exploited but it should be considered in the organizational decision-making process just as any other stakeholder. Norms of 'correct' behavior in the company have also changed, and the level of environmental consciousness has grown considerably.

Further, stakeholders have both a direct and an indirect impact on the company's greening process. This study implies that some stakeholders had a direct effect on the greening process of the company, whereas others affected indirectly by using the assistance of other stakeholder groups to meet their purpose. Contractors are an example of a stakeholder group that has had a direct impact on the company's greening process. Contractors manage peat production; consequently, their work directly affects the way of environmental protection within the company. On the other hand, those people who live near the peat production areas may affect the company both directly and indirectly. The neighbors may contact the company directly and complain about the environmental effects of peat production, thus forcing the company to consider how it should react to the situation. Or, the neighbors may use the authorities or the media to press the company to improve its environmental performance, thus, affecting the company indirectly. The Finnish state, as the owner of Vapo, has had a more indirect than direct influence on Vapo's greening process. The Finnish state, represented by

the Finnish government and by various other institutions, makes, accepts and enacts the new energy and environmental laws that strongly influence Vapo's environmental measures. Due to the fact that Vapo is a state owned company, Vapo's representatives have also felt that they have a moral obligation to be forerunners and conduct research work on environmental issues. Finally, nature is an example of a stakeholder whose interests are represented indirectly mainly by the water authorities, the government, and different environmental organizations.

In addition to these six categories of effects discussed above, stakeholders have directed the company's attention to new environmental issues and the topics of discussion regarding peat production have changed. Especially in the 1990's, stakeholders have presented and addressed several new conversation topics. Moreover, stakeholders have accelerated the greening process by continuously placing new demands on the company to make environmental initiatives.

AREA OF IMPACT / STAKE-HOLDERS	Economic	Technological	Management Systems and Processes	Social and Political	Organizational Structures	Organizational Culture
INTERNAL						
CEO			XX		X	XX
Top Management			XX			X
Environmental Department		X		X	XX	XX
R & D		X				X
Other Members of the Organization						X
EXTERNAL						
Contractors		X			X	
Government; Different Authorities	XX	XX	X			
Parliament; Politicians			X	X	X	
Judicical Courts				X		
Fishing Associations			X			
Local Residents		X	X			
General Public			X	X		
Media			X	XX		

Natural Environment	XX	XX	XX	XX	XX	XX

Table 1. Selected examples of crucial (XX) and important (x) Stakeholder Impact Area Relationships in the Case at Vapo.

The case of Vapo implies that stakeholders mainly act as driving forces for greening. However, in some cases, stakeholders can also hinder greening. Most of the stakeholders have encouraged the company to turn more green. Notwithstanding, examples can also be found where stakeholder groups have acted as a barrier against greening. The actions of water authorities give a perfect example of this situation: orders of the water authorities regarding environmental protection methods at peat production sites have not always been well applicable to the local circumstances. Yet, every peat production site differs from each other, and a method that works at one site may not be efficient at another site. Another group of stakeholders that has tried to hinder Vapo's greening process are competing peat producers. Some of the competitors tried to slow down the development process especially in the 1980's, when Vapo started to strongly invest in research and development. Anyway, today it is widely accepted that it is an advantage for every peat producer to employ the most advanced environmental protection methods at peat production sites.

When looking at the interests of Vapo's external stakeholders, it can be seen how most of the stakeholders have had either an economic or a regulatory interest in the company's environmental performance. Environmental pressure groups are one of the few stakeholder groups whose interest area has been more ethical and aesthetic. The fact that the level of Vapo's greening process has not reached an even deeper level yet can be partly explained by the nature of the interests of its stakeholders. If stakeholders are more interested in their own economic gain and do not present ethical demands to the company, it is unlikely that the company will by its own initiative see environmental issues as an endlessly accelerating squirrel wheel.

Overall, the influence of external stakeholders on Vapo's greening process has been
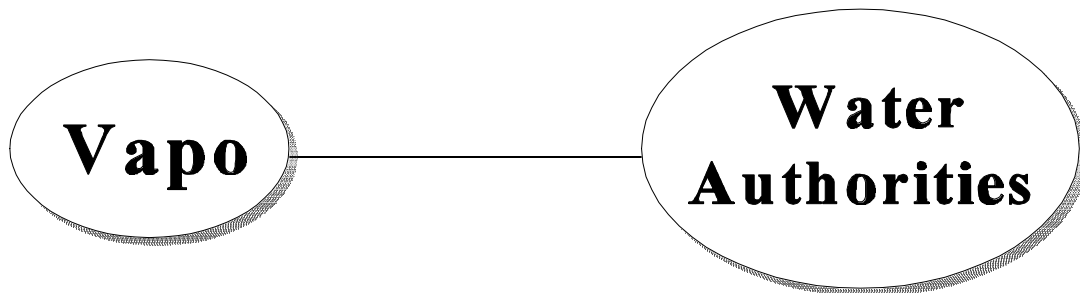

Figure 3a. Vapo's conscious external stakeholder map for environmental management at the beginning of the study.
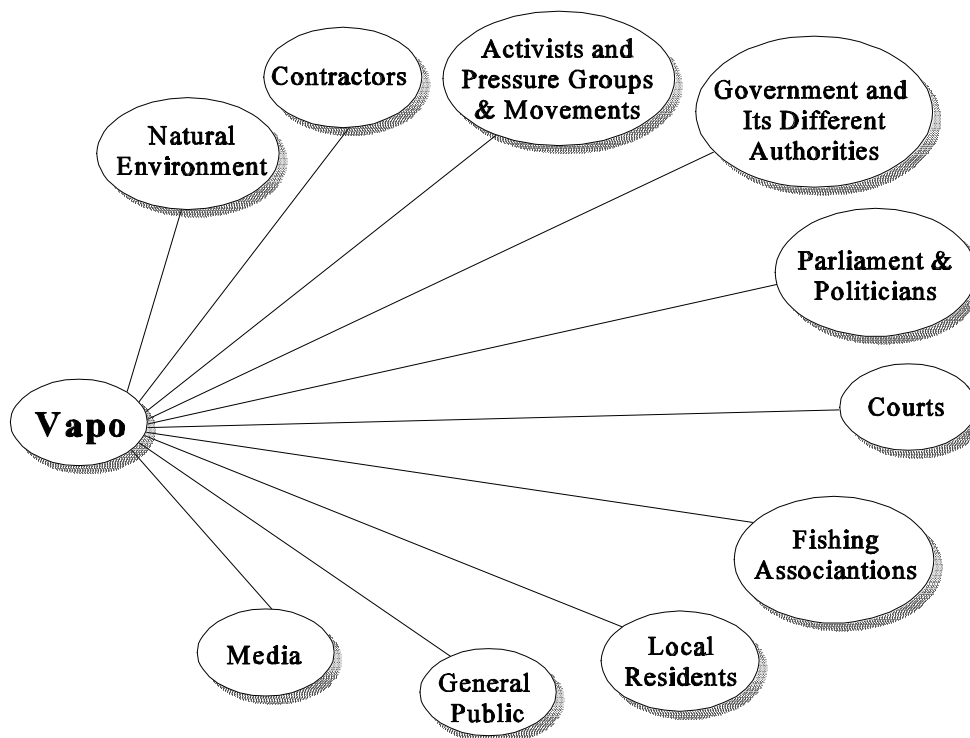
Figure 3b. **Vapo's conscious external stakeholders' map for environmental management at the end of study**

remarkable. The general opinion of Vapo's representatives was that without the pressures put on the company by its external stakeholders, Vapo would not have considered environmental issues in its operations at all to the extent it did. A process like this was a huge one - the change was drastic, as to the scope and strength. A good illustration would be to draw a stakeholder map at the beginning and at the end. Figure 3a and 3b present "the pictures of the scene" and the crucial scale differences needed in actions.

The Vapo company, sure, is on the good way in this environmental reporting. The company was just awarded and ranked second in Finland on their environmental reporting in the contest of annual reports. The report was assessed as a clear, open, comprehensive, and convincing. This kind of reporting behavior - to declare itself publicly green - also includes a potential problem which is our second and final remark. It is important for the organization declared itself green to remember that, once "the state of greening" is constructed and told to world, it becomes a long-term responsibility. As mentioned at the beginning section of the paper, the new large stakeholder map demands now and will demand even more openness and fair play tomorrow from the side of firms and especially from those who have promised to be green and moral. They must always be ready to report actively and, when asked, to inform about all its greening or environmental matters in order to show that in this sense things are really taken care in practice. *And this responsibility forms one of the most strategic challenges of Vapo and other environmentally intensive organizations, mentally and physically.* A very requiring side in this challenge is that it is not fulfilled when it is practiced once. No, every

morning the whole personnel of the firms like Vapo needs to wake up in order to operate in a way that satisfies the demands of observing stakeholders. Again and endlessly. But Vapo is not alone, nor are its problems unique. We hope that the readers of this paper will find theoretical and empirical insights useful in understanding similar or related organizational situations.

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ANTECEDENTS OF HUMAN RESOURCE EFFECTIVENESS: THE ROLES OF DISCRETION AND STRATEGIC INTEGRATION

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ABSTRACT

Recently, research has begun to explore organizational and environmental characteristics having consequences for human resource management practices, policies, and systems (e.g., Jackson, Schuler, & Rivero, 1989; Jackson & Schuler, 1995; Jennings, 1994). In this study, we examined two organizational determinants having important consequences for human resource effectiveness: human resource manager discretion and HRM integration. In particular, we hypothesize that human resource integration is the mechanism through which human resource manager discretion effects human resource effectiveness. Our results suggest that integration between human resource and business strategy does mediate the relationship between human resource manager discretion and human resource effectiveness.

INTRODUCTION

Over the past several decades, human resource management (HRM) has evolved from a largely record-keeping, maintenance function to one of more strategic importance (e.g., Butler, Ferris, & Napier, 1991). Top managers are recognizing that any sustainable competitive advantage requires significant human resource support (Wright, 1991). Traditionally, human resource management research has been primarily micro-analytic (Ferris & Judge, 1991). Guided by theory and research in industrial and organizational psychology, studies have concentrated on the technical aspects of human resource practices such as employee selection, training, and reward systems, and their implications for human resource management effectiveness (Dobbins, Cardy, & Carson, 1991). More recently, however, research has begun to explore organizational and environmental characteristics having consequences for human resource management practices, policies, and systems (e.g., Jackson, Schuler, & Rivero, 1989; Jackson & Schuler, 1995; Jennings, 1994). It has been noted that a better understanding of organizational factors that constrain, or conversely facilitate, the use of various human resource management practices would be an important supplement to extant research (Tannenbaum & Dupuree-Bruno, 1994).

Perhaps the greatest theoretical development regarding organizational influences on human resource management has occurred under the guise of strategic human resource management (SHRM; Wright & McMahan, 1992; Jennings, 1994). SHRM has been defined as "the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals" (Wright & McMahan, 1992: 298). Within this perspective, human resource effectiveness is

seen as flowing from strategic intent, whereby managers align human resource structure and content with environmental pressures and the business strategy of the firm (Dyer, 1985; Fombrun, Tichy, & Devanna, 1984; Lengnick-Hall & Lengnick-Hall, 1988; Schuler & Jackson, 1987a, b) In this study, we examined two important organizational determinants having important consequences for human resource effectiveness: human resource manager discretion and HRM integration.

HUMAN RESOURCE MANAGER DISCRETION AND HRM INTEGRATION

Based on previous research on managerial discretion, we expect human resource manager discretion to allow human resource managers to structure unique sets of human resource management practices - - having potentially positive implications for employee attitudes and behavior. More specifically, discretion is likely to enable human resource managers to create more effective human resource systems that are characterized by sophisticated, or innovative, sets of human resource management practices tailored for their specific organizational workforce. Recently, research has found that companies at the leading edge in the arena of human resource management where human resource managers have a wide range of decision-making responsibility and authority are much more likely to invest heavily in innovative work redesign, employee involvement, and total quality management programs (Mirvis, 1997). These companies are also more likely to help employees balance their work and family concerns and to have programs committed to valuing diversity (Mirvis, 1997). We hypothesize:

HYPOTHESIS 1:   The greater the human resource manager's discretion, the greater the level of human resource effectiveness.

Integration between human resource management and strategic management is arguably an important organizational variable affecting human resource effectiveness (Buller, 1989; Golden & Ramanujam, 1985). Theory and research suggest that organizations can and should use human resources strategically, that organizations operating under different strategies require different HRM practices, and that organizations creating an alignment between strategy and human resource management will have a competitive advantage. Generally, then, researchers have hypothesized that both organizational and human resource management effectiveness can be improved by aligning human resource practices with selected competitive strategies (e.g., Schuler & Jackson, 1987a). Although empirical research is sparse, it is accepted in the literature that strategically managed human resources are associated with improved HRM effectiveness. More specifically, in organizations where there is an alignment between strategy and human resource management, the HR function is better able to help the organization achieve its goals and to provide well-trained, motivated employees. We hypothesize:

HYPOTHESIS 2:   The greater the level of integration between human resource management and strategic management, the greater the level of human resource effectiveness.

Although human resource manager discretion may have a direct influence on human resource effectiveness, it is possible that human resource integration mediates the relationship. The importance of human resource manager discretion is not only reflected in the ability to create and adjust sophisticated and innovative human resource practices, but also in the ability to align those practices in such a way as to support the business strategy of the organization. More specifically, the roles of human resource manager discretion and human resource integration are reflected in the following three assumptions that undergird the SHRM literature: (a) successful implementation of a business strategy requires certain employee behaviors; (b) human resource practices can be developed to elicit these behaviors; and (c) firms that design human resource practices that are aligned with the demands of the intended strategy will gain an advantage over firms that do not.

We hypothesize that human resource integration is the mechanism through which human resource manager discretion effects human resource effectiveness. More specifically, human resource managers who have discretion are better able to analyze their organization's environment, its strategy, and the "fit" between the two in designing human resource management practices (Jennings, 1994). Thus, the greater the manager's discretion, the more opportunity the manager has to adjust human resource practices such that they are aligned with business strategy and the environment. We hypothesize:

HYPOTHESIS 3:   Human resource integration mediates the relationship between human resource manager discretion and human resource effectiveness.

RESEARCH METHODOLOGY

The sample for this study was drawn from membership lists provided by regional chapters of a southern state's Society for Human Resource Management (SHRM). The data for this study were collected from three sources. First, a questionnaire was mailed directly to each of the 470 human resource managers obtained from the SHRM membership lists. Second, this mailing included a different questionnaire that was to be forwarded by the human resource manager to a member of top management not a part of the human resource function.

The initial contact in each organization was the human resource manager. The five-part human resource manager questionnaire was designed to identify the HRM policies and practices in place at the focal organization, as well as to assess various characteristics of the human resource manager and the focal organization. The top manager questionnaire was designed to assess more general aspects of the focal organization (e.g., perceptions of the industry and assessments of the organization's alignment of strategy and human resource management) and to provide data that could be used to assess the reliability of human resource manager responses. A case was considered valid only if both the human resource management and top management questionnaires were returned. A total of 109 usable questionnaires (23% response rate) were returned from the human resource manager respondents. A total of 112 usable questionnaires (24% response rate) were returned from top manager respondents. The final sample size (i.e., both the human resource manager and top manager questionnaires were returned) was 104 organizations (22% response rate).

MEASURES

Measures of human resource manager discretion were developed for this study. Researchers have not yet developed measures of discretion to use in organizational research. Following previous suggestions (e.g., Hambrick & Finkelstein, 1987) that discretion should be measured with multiple measures, we measured human resource manager discretion in this study using two measures.

First, human resource managers were asked to assess the general discretion in their jobs. Based on a review of previous literature on discretion and autonomy, three items were created to assess the extent to which the human resource manager's job offers choice and opportunity. We labeled this measure "general discretion." General discretion was measured with three items administered to human resource management respondents. A sample item is, "How much opportunity do you have to participate in the setting of goals and objectives for the HRM function?" A five-point Likert scale anchored by "strongly agree" and "strongly disagree" was provided to respondents. The measure was coded so that higher values indicated higher levels of general discretion.

Second, human resource managers were asked to assess discretion in specific HRM decision areas. Previous research has suggested that the examination of discretion in specific decision areas is important to improve the measurement of discretion (e.g., Hambrick & Finkelstein, 1987). Eight important human resource management activities, identified in previous research by Tsui and Milkovich (1987), were used to assess specific discretion. These eight human resource management activities included: (a) staffing/human resource planning, (b) organization/employee development, (c) compensation/employee relations, (d) employee support, (e) legal compliance, (f) labor/union relations, (g) policy adherence, and (h) administrative services. Because over one-third of respondents (n = 38) indicated that the item regarding labor / union relations was not applicable to their organization, this item was deleted. The remaining seven items were summed to assess specific discretion.

To assess the level of integration between HRM and strategic management, a measure of HRM integration developed by Huselid (1995) was presented to top management respondents. This measure is a behavioral indication of the emphasis each firm places on its alignment of human resource management with strategy. A sample question is, "The human resource management function in this organization changes staffing patterns to help implement business or corporate strategies." A five-point Likert scale anchored by "strongly agree" and "strongly disagree" was provided to respondents; the measure was coded so that higher values indicated higher levels of HRM integration.

Top management respondents assessed human resource management effectiveness. Human resource effectiveness was measured with three items from Tsui (1990). A sample item is "Overall, to what extent do you feel your human resource department is performing its job the way you would like it to be performed?"

ANALYSES AND RESULTS

The means, standard deviations, intercorrelations, and reliability estimates for the independent, mediating, and dependent variables are presented in Table 1. All correlations were in the expected

direction. General discretion (r = .29, p < .01) and specific discretion (r = .19, p < .05) were correlated with human resource effectiveness, indicating support for Hypothesis 1. Additionally, both general discretion (r = .27, p < .01) and specific discretion (r = .23, p < .05) were positively correlated with human resource integration. Human resource integration was correlated with human resource effectiveness (r = .53, p < .001) providing support for Hypothesis 2.

TABLE 1 CORRELATION MATRIX OF STUDY VARIABLES						
	Mean	S. D.	1	2	3	4
1. Human Resource Effectiveness	**14.38**	**3.81**	õ			
2. Specific Discretion	**26.32**	**4.93**	**0.19***	**õ**		
3. General Discretion	**12.51**	**2.22**	**0.29****	**0.54*****	**õ**	
4. HRM Integration	22.71	5.62	0.53***	0.23*	0.27**	õ
*** p<.001 ** p<.01 * p<.05						

The results of the regression analyses used to test Hypothesis 3 are presented in Table 2. We used a procedure similar to Baron and Kenny's (1986) procedure for testing mediated hypotheses using multiple regression. Full mediation is indicated if the following four conditions are met: (1) the independent variables are related to the mediator variable; (2) the independent variables are related to the dependent variable; (3) the mediator variable is related to the dependent variable; and (4) the strength of the relationship between the independent and dependent variables is diminished when the dependent variable is regressed on both the independent variables and the mediator variables simultaneously.

TABLE 2 RESULTS OF REGRESSION ANALYSES						
	Equation 1			Equation 2		
Variables	Human Resource Effectiveness			Human Resource Effectiveness		
	B	R2	F	B	R2	F
Human Resource Integration	**0.49***			**0.51***		
General Discretion	**0.16**	**0.31**	**21.4***			
Specific Discretion				0.07	0.28	19.6***

Support for condition 1, a link between the independent variables (general and specific discretion) and the mediator variable (human resource integration), were indicated in Table 1. Both correlations were positive and statistically significant. Also, as seen in Table 1, condition 2 was met in that both discretion measures are correlated with human resource effectiveness. To determine if conditions 3 and 4 for full mediation were met, we regressed human resource effectiveness on the mediator variable (human resource integration) and each independent variable (general and specific discretion), simultaneously. As seen in Table 2 for Equation 1, human resource integration predicted human resource effectiveness and the effect size for the measure of general discretion was diminished (when compared with the correlation between general discretion and human resource effectiveness) and no longer significant. Similarly, in Equation 2, human resource integration predicted human resource effectiveness and the effect size for the measure of specific discretion was diminished and no longer significant. Because conditions 1-4 were met, support for Hypothesis 3 was indicated. In other words, human resource integration mediated the relationship between human resource manager discretion and human resource effectiveness.

DISCUSSION

The purpose of the study was to examine the effect of two organizational variables that have been identified in the literature as being important influences on human resource effectiveness. While most research has examined the technical aspects of human resource practices for effectiveness, we examined more "macro" or "global" issues. In other words, we examined the influence on human resource effectiveness of human resource manager decision-making discretion and the fit between human resource strategy and business strategy. We found that both variables, when considered independently, predict human resource effectiveness. However, when both variables are considered together, the results of our study suggest that integration between human resource and business strategy mediates the relationship between human resource manager discretion and human resource effectiveness.

The implication of these findings are several fold. Beyond crafting technically "correct" human resource practices, which has been the primary focus of human resource research, managers must ensure that the types of human resource practices utilized support the business strategy of the organization (Schuler & Jackson, 1987; Miles & Snow, 1984). Indeed, the literature in strategic human resource management is replete with conceptual and practitioner-oriented articles proposing that organizations can and should use human resources strategically, that organizations operating under different strategies require different human resource management practices, and that organizations creating an alignment between strategy and human resource management will have a competitive advantage.

A second implication is that the human resource manager must be given the decision-making latitude to develop and adjust human resource practices such that they support the organization's business strategy. Organizations can create a context in which the human resource function moves beyond a low-level, administrative function, to a high-level, strategic complement. The latter would be characterized by dynamic, multifaceted linkages based on intense interaction among top managers and human resource management (Golden & Ramanujam, 1985). In such a context, the human resource manager would assume the role of a true strategic business partner with other senior

executives. Future research should investigate the factors that contribute to greater discretion for the human resource manager.

It must be noted that our findings suggest that human resource discretion alone is not sufficient for human resource effectiveness. Rather, discretion that provides opportunities for aligning human resource practices with business strategy is most important. Such discretion is afforded when the human resource manager is viewed by top executives as a strategic partner. Future research should investigate those factors that facilitate or inhibit the adoption of a human resource innovation that supports business strategy (Tannenbaum & Dupuree-Bruno, 1994). More specifically, future research should more closely examine the varying degrees of human resource manager discretion, and how human resource managers choose to use their discretion in shaping the structure and content of human resource practices.

Although our study was not longitudinal, and as a result, we can not determine conclusively that the reverse causation is not a possibility, the results of our mediational tests provide support for our model. More specifically, as seen in Table 2, when the effects of both discretion and integration on human resource effectiveness are tested simultaneously, human resource manager discretion does not explain additional variance in HR effectiveness beyond human resource integration. This suggests that human resource integration assumes the role of a more immediate precursor to human resource effectiveness and an intermediate linkage in the relationship between manager discretion and effectiveness.

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EMPLOYEE EMPATHY AS A MODERATOR OF SITUATIONAL INFLUENCES ON INTERPERSONAL CITIZENSHIP BEHAVIOR

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ABSTRACT

Based on theory and research in social psychology, we examined the roles of dispositional and situational variables in interpersonal citizenship behavior. More specifically, we investigated the effect of empathy as a moderator of relationships between situational variables and helping forms of citizenship behavior. Findings indicate the empathy does serve as a moderator. Situational variables were more (less) predictive of ICB when empathy was low (high). Implications are noted for practicing managers seeking to encourage the rendering of helping forms of behavior among their employees.

INTRODUCTION

Researchers have noted that organizational citizenship comprises several characteristically different though related types of behaviors, and that employees selectively choose among these rather than engage equally in all (e.g., Organ, 1997; Van Dyne, Cummings, & McLean-Parks, 1995). Further, it has been suggested that types of organizational citizenship behavior can be categorized based on the intended primary beneficiary or target of the behavior (e.g., Van Dyne et al., 1995; Williams & Anderson, 1991). Of late, citizenship behavior oriented toward coworkers and other immediate stakeholders has garnered research interest due to the role of interpersonal responsiveness in management practices such as self-directed work teams, decentralized decision-making, and empowerment.

The purpose of the current study is to examine important situational and dispositional antecedents of interpersonal citizenship behavior (ICB), citizenship behavior having consequences for interpersonal work relationships. ICB is an important performance-related variable for organizations because it can contribute to increased coworker productivity and serve as a viable means of coordinating activities between employees (Podsakoff, Ahearne, & MacKenzie, 1997). ICB may be characterized as behavior having positive consequences for others, yet not typically governed by explicit agreements or subject to organizational sanction. Such acts occur with some applied end in mind, such as improving the help recipient's performance or assisting them in coping with difficulties (DePaulo, Brown, & Greenberg, 1983). Sometimes, they are directly relevant to the solution of a problem at hand, subsuming cues or resources that are intended to leave individuals better off than before. At other times, they may simply maintain the self-esteem of persons in need

as opposed to resolving their problems. Reassuring others of their worth and demonstrating a concern for their welfare exemplify such behaviors.

DISPOSITIONAL INFLUENCES ON ICB

For the most part, researchers have failed to find a relationship between dispositional variables and organizational citizenship behavior (Organ & Ryan, 1995). This is not surprising given that organizational contexts are strong situations. However, research has consistently shown empathy to be related to helping types of behavior like ICB (Eisenberg & Miller, 1987; McNeely & Meglino, 1994).

Social interaction is significantly influenced by the capacity to respond empathically to others' experiences and has been suggested as a cornerstone of human relational exchanges (Davis, 1994). Shared feelings help transform the interests of others, at least in part, into one's own interests, and thus prompts individuals to act in more benevolent ways. As Davis (1994) noted, without the capacity to react empathically to others, relations would tend toward interpersonal friction whenever either social participant's goals diverged from those of the other. In short, empathic concern is the social catalyst that facilitates the translation of ICB expectations and intentions into ICB activity.

> Hypothesis 1: Empathy for coworkers is positively associated with interpersonal citizenship behaviors.

SITUATIONAL INFLUENCES ON ICB

A number of situational variables have been found to be related to ICB (see Organ, 1997 for a review). We examined four in this study: perceived similarity with others, job overload, task interdependence, and perceived coworker support. Similarity between individuals on such things as attitudes, personality, and demographic characteristics is an important determinant of interpersonal attraction (Byrne, 1971). Perceived similarity leads to loyalty toward others. Individuals will tend to identify with similar others leading to a perceived identity of interests (Ashforth & Mael, 1989; Turner, 1985). Such an identity of interest implies an altruistic orientation toward others whereby the goals of others are perceived as one's own and others are assumed to share one's own goals (Hornstein, 1972; Turner, 1985). Empirical research provides evidence of a relationship between similarity and helping (Dovidio, 1984).

Drawing on theories of motivational choice (e.g., Vroom, 1964) and the concept of resource-dependent tasks (e.g., Kanfer, 1990), research has shown that complex tasks and difficult performance goals tax individuals' limited attentional resources such that individuals must make a trade-off between engaging in role-prescribed behavior and non-required behavior such as helping (e.g., Wright, George, Farnsworth, & McMahan, 1993). Employees with demanding jobs may view helping behavior as too costly in terms of the attentional resources that must be committed. As a result, they may choose not to engage in such behavior in lieu of adequately performing those tasks that are required of them in their job description.

Task interdependence arises from dependencies in intraorganizational networks. However, it is more specifically considered to be a characteristic of the workflow structure (Brass, 1981;

Kiggundu, 1983; Pearce & Gregersen, 1991). It is defined as the extent to which work flows from one job to one or more other jobs such that the successful performance of the latter depends on the initiating job. Employees in central positions in intraorganization networks and the organization's workflow, and having critical expertise in certain areas have more of an impact on the tasks performed by others than those without such characteristics. Employees often need assistance to achieve goals and research has demonstrated that higher status individuals (high initiated task interdependence) more frequently receive assistance requests (Burke, Duncan, & Weir, 1976; Ibarra, 1993).

ICB may result from individuals desiring to reciprocate ICB directed toward them. For example, studies have demonstrated that employee perceptions of organizational support are linked to employee attendance, commitment, performance, and citizenship behavior directed at the organization (Eisenberger, Fasolo, & Davis-LaMastro, 1990; Eisenberger, Huntington, Hutchison, & Sowa, 1986; Settoon, Bennett, & Liden, 1996). Other research has found citizenship to be the outcome of role-making processes that require the exchange of reciprocal reinforcements and balanced contracts in which parties are seen as upholding their reciprocal obligations (e.g., Robinson, Kraatz, & Rousseau, 1994). In addition to creating obligations that must be discharged, received supportive behavior from others meets needs for approval, affiliation, and esteem and demonstrates that others will fulfill their obligations faithfully. Thus, receiving support from others can reinforce one's sense of being party to a mutually satisfying relationship. This feeling of mutuality would lead to ICB by increasing sensitivity to others' needs and expectancy that any helping acts will be reciprocated.

Dispositional antecedents such as empathy are more proximal to ICB than situational variables and may be expected to regulate the initiation and execution of ICB itself (cf. Kanfer, 1990). In this study, we propose that employees' empathic concern for coworkers operates both as a key primary antecedent of ICB (see Hypothesis 1 above) and as a moderator of the relationship between situational variables and ICB. More specifically, we propose that situational variables are more important (less important) when empathy for coworkers is low (high). We hypothesize the following:

Hypothesis 2: Empathy moderates the relationship between perceived similarity and ICB such that perceived similarity is a stronger predictor of ICB when empathy for coworkers is low.

Hypothesis 3: Empathy moderates the relationship between job overload and ICB such that job overload is a stronger predictor of ICB when empathy for coworkers is low.

Hypothesis 4: Empathy moderates the relationship between task interdependence and ICB such that task-interdependence is a stronger predictor of ICB when empathy is low.

Hypothesis 5: Empathy moderates the relationship between perceived support from coworkers and ICB such that perceived support from coworkers is a stronger predictor of ICB when empathy is low.

METHODS

The data used to test the hypotheses were collected from two work sites in the southern United States: the auxiliary services division of a state university and a state regional medical center. At each worksite two surveys were distributed. One survey was given to non-supervisory employees which included psychometric scales of the study variables, sociometric questions, and a place to provide background information. The other survey was given to immediate supervisors and contained scales for evaluating their subordinates on various criteria. During prearranged sessions, auxiliary services employees completed surveys that were collected as they exited the sessions. At the medical center, both supervisory and non-supervisory employees received a postage-paid return envelope, and had the choice to either deliver them to a collection bin in the administrative offices or mail them directly to us through the United States mail.

SAMPLE CHARACTERISTICS

The auxiliary services work site elicited an employee response rate of 72%. A total of 66 employees completed surveys. Seventy percent of the employees were female, 74.6% were white, the average age was 26.9 years, and average organizational tenure was 2.9 years. The supervisor response rate was 80%. Fifty-eight employee surveys were matched with supervisory surveys. A total of 374 surveys were administered to medical center employees, and 253 were completed and returned. A total of 38 employee surveys could not be used due to either missing social security numbers or lack of matching supervisory surveys. As a result, 215 surveys from this work site were used in tests of the hypotheses, an effective response rate of 58%. In all, a total of 273 usable surveys from the auxiliary services division ($\underline{N}$=58) and the state hospital ($\underline{N}$=215) were used in the tests of the hypotheses.

MEASURES

Data were collected through employees' self-reports and employees' supervisors. Employees provided self-report data on empathic concern, perceived similarity, task overload, task interdependence, and perceived social support. using psychometric scales with a 5-point Likert-type format. Data on employees' level of ICB was provided by their supervisors. Supervisors used a 5-point Likert-type scale to indicate the extent to which each of their subordinates engaged in ICB.

Interpersonal citizenship behavior. Drawing on the organizational behavior and social psychology literatures as well as available measures of citizenship behavior, an initial pool of 47 items was created. Seven organizational behavior scholars were used to pare down this pool. More specifically, they were given a definition of ICB and instructed that items must refer to behavior directed at coworkers and given with some applied end in mind such as improving their performance or helping them cope with difficulties. Based on an analysis of the experts' evaluations that permitted only one dissenting vote as to item appropriateness, the item pool was further reduced to 16 items.

A principal components factor analysis with orthogonal rotation was performed on the 16 items using data from those employees who did not return surveys but whose supervisor provided complete information on their ICB ($\underline{N}$ = 147). Two factors were extracted, accounting for 70 percent

of the variance in the items. All items had loadings of at least .40 on one of the two factors. Eight items loaded on the first factor and six items loaded on the second factor. Two items had multiple loadings and were discarded. The items loading on the first factor described behaviors that provided passive support to others who may be experiencing difficulties (labeled person-focused ICB), whereas the items loading on the second factor concerned behaviors representing active or direct assistance to those in need (labeled task-focused ICB).

Empathic concern. Items from the Empathic Concern subscale of Davis' (1980) Interpersonal Reactivity Index were adapted for purposes of this study. This subscale measures responsivity to others and other-oriented feelings of sympathy and concern (e.g., "Sometimes I don't feel very sorry for my coworkers when they are having problems," [reverse coded]). Only items with others as a referent (as opposed to self as referent) were included. Items were worded such that coworkers were the referent.

Similarity with coworkers. Similarity with coworkers was assessed with three items from the scale developed by Liden, Wayne and Stilwell (1993). Their scale measured subordinate perceptions of similarity with their supervisor. In the current study, items were adjusted to reflect perceived similarity with coworkers (e.g., "My coworkers and I are similar in terms of our outlook, perspective, and values").

Work Overload. Work overload was measured with six items (Harris & Bladen, 1994). The items tapped the amount of work employees have to do, how much time employees have to do their job, and how difficult standards for the job are (e.g., "It often seems like I have too much for one person to do").

Task interdependence. Kiggundu (1983) conceptualized task interdependence as being multidimensional with three subdimensions: scope, resources, and criticality. Scope concerns the breadth of interconnectedness of a particular job with other jobs, resources the degree to which the interdependence between jobs involves receiving or giving resources, criticality the extent to which the interdependence among jobs is crucial for performance. Although Kiggundu (1983) proposed three dimensions of initiated task interdependence, in an exploratory factor analysis, he found one factor accounted for the variation in the interdependence items. We used the six items in his 1983 study with the highest item total correlations to measure initiated task interdependence (e.g., "What I do in my job has an impact on the work of my coworkers").

Coworker support. A measure of perceived social support from coworkers was developed for this study. The scale was based on Eisenberger et al.'s (1986) measure of perceived organizational support. Using the results of Eisenberger et al.'s (1986) factor analysis in which they found that perceived support is a unidimensional construct, we selected the six highest loading items that gauged coworker support and reworded the items such that the referent for the items was a focal employee's coworkers (e.g., "My coworkers are willing to extend themselves in order to help me perform my job").

RESULTS AND ANALYSIS

Moderated multiple regression analyses were used to test the hypotheses. Hypothesis 1 was tested by examining the relative explanatory power of empathy above and beyond each situational variable. More specifically, we examined the main effects of empathy and each situational variable

prior to entering the cross-product terms. Hypotheses 2-5 suggest that relationships between situational variables and ICBs vary as a function of the dispositional variable empathy. More specifically, we proposed that situational variables are more (less) important as predictors of ICB when empathy for coworkers is low (high).

To test Hypotheses 2-5, regression analyses were performed by first regressing each ICB (i.e., task-focused and person-focused) on a particular situational variable and empathy (as noted in the test of Hypothesis 1 described above). Then, the cross-product term formed by that particular situational variable and empathy was entered into the equation. Evidence of an interaction is indicated where there was a significant cross-product term. To examine the nature of significant interactions, a procedure outlined by Stone (1988) was used to plot the situational-ICB variable relationship for values of +/- standard deviation units around the mean of empathy.

Means, standard deviations, and an intercorrelation matrix of the study variables are shown in Table 1. The results of the regression analyses are presented in Table 2. As seen there, empathy explained variance in both forms of ICB beyond the situational variables. For person-focused ICBs, significant moderating effects were found. For task-focused ICBs, only the cross-product term formed by combining empathy and initiated task interdependence was significant.

TABLE 1
CORRELATION MATRIX OF STUDY VARIABLES

	Mean	S. D.	1	2	3	4	5	6	7
1. Task-focused ICB	3.78	0.89	(.94)						
2. Person-focused ICB	3.84	0.73	0.79**	(.93)					
3. Empathy	3.88	0.51	0.21**	0.28**	(.66)				
4. Perceived Similarity	3.43	0.82	0.05	0.11+	0.06	(.68)			
5. Job Overload	2.53	0.78	-0.02	-0.02	-0.08	-0.11+	(.81)		
6. Task Interdependence	3.91	0.78	0.05	0.04	0.19**	0.12+	0.05	(.79)	
7. Perceived Support	3.69	0.63	0.13*	0.15*	0.29**	0.52**	-0.23**	0.13*	(.81)

** p<.01
* p<.05
+ p<.10

TABLE 2
MODERATED MULTIPLE REGRESSION

		Task-focused ICB		Person-focused ICB	
		B	R2 Change	B	R2 Change
Regression 1					
Step 1	Empathy	0.21**		0.28**	
	Perceived Similarity	0.05	0.05**	0.11+	0.09**

Step 2	Cross-product	-0.05	0.01	-0.12*	0.02*
Regression 2					
Step 1	Empathy	**0.21****		**0.29****	
	Job Overload	0.01	0.05**	0.01	0.08**
Step 2	Cross-product	**0.05**	**0.01**	**0.13***	**0.02***
Regression 3					
Step 1	Empathy	**0.21****		0.28**	
	Task interdependence	0.01	.04**	-0.01	0.08**
Step 2	Cross-product	0.13*	.02*	0.15*	0.02*
Regression 4					
Step 1	Empathy	**0.19****		**0.26****	
	Perceived Support	0.08	0.05**	0.07	0.09**
Step 2	Cross-product	-0.03	0.01	-0.09	0.01

** p<.01
* p<.05
\+ p<.10

Examining the regression equation for perceived similarity, it can be seen that the cross-product terms accounted for additional significant variation in person-focused ICB (p < .05). Both the negative beta weight and Stone's (1988) procedure for examining the nature of an interaction suggest that perceived similarity with coworkers becomes more important as a predictor of person-focused ICB when empathy is low. Similarly, the regression equations for job overload show a significant cross-product term, but only for person-focused ICB (p < .05). The nature of the interaction was consistent with Hypothesis 3: empathy had a moderating effect such that job overload was more highly related to person-focused ICB when empathy was low.

The regression equations for task interdependence show that the cross-product terms accounted for additional significant variation in both task-focused and person-focused ICB (p < .05). The nature of the interaction is such that higher levels of empathy appears to facilitate the effect of task interdependence on citizenship behavior, whereas lower levels of empathy diminished the effects. The results are counter to what was expected in Hypothesis 4. Finally, there was no support for the moderating effect of empathy on the relationship between perceived social support and ICB (Hypothesis 5).

DISCUSSION

The present study examined the roles of situational and dispositional variables in citizenship behavior. We found that empathic concern for coworkers is linked to an individual's rendering of ICBs. Moreover, empathy served to restrict the relationships between perceived similarity and ICB and work overload and ICB. More specifically, when empathy for coworkers was low, similarity with coworkers and job overload exhibited a stronger relationship with ICB. What these results seemingly indicate is that employees who do not put themselves "in the shoes" of their coworkers or identify with coworkers' needs, either by choice or predisposition, use other cues when determining who they will help. These findings highlight several implications for practicing managers. In the absence of an empathic concern for others, employees may help only those they perceive to be similar on some dimension. Additionally, employees may help only when the demands of their job are light. High levels of empathy seemingly nullify the effects of these situational variables (i.e., similarity with coworkers and job overload) and allow for helping to be more pervasive. As such, if unabated interpersonal citizenship behavior (not restricted by variables such as similarity and work demands) among all employees is desired, the findings of this study suggest that employers should attempt to encourage an empathic concern for coworkers among their employees.

Arguably, creating an empathic concern for coworkers is inexorably linked to creating a "we are in this together" kind of mentality. When employees are focused on their coworkers and identify with coworkers' circumstances and needs, they are more likely to go "above and beyond" what is required of them in their job description and act in beneficent ways. Organizations may contribute to the growth of empathic and identification processes by encouraging and nurturing helping partnerships among employees. Helping partnerships defined by the exchange of ICB would discourage counterproductive, competitive behaviors. Options organizations have for encouraging helping partnerships are establishing mentoring programs between experienced and less experienced workers, promoting a positive communication environment, and equipping employees with interpersonal and helping skills through training programs.

The establishment of helping partnerships or networks in which help is exchanged may, at a more general level, could encourage employees to assume an active orientation toward their work roles. Helping partnerships could foster the collaboration with coworkers necessary for creating an environment of empowerment (Volt & Murrell, 1990). As a result, employees could more readily become aware of the needs of other coworkers and be in a better position to offer assistance. Employees would better understand how their jobs interrelate with others and how what they do on their job can reduce subsequent problems for others. Through identification processes, helping partnerships would create a sense of ownership of coworker problems, encouraging behaviors that attempt to resolve them.

Although the findings were contrary to what was predicted in Hypothesis 4 regarding the interaction between empathy and task interdependence, they would tend to support the argument presented above that organizations should employ practices or structure the workplace such that empathic processes are encouraged. With regard to task interdependence, empathy served to enhance its effect on ICB. The analyses indicated that the relationship between task interdependence and ICB was stronger when empathy was high. It may be, as discussed above, that task interdependence contributes to the formation of empathetic processes by causing individuals to

become focused on the needs of their coworkers. As such, empathy for coworkers is high when task interdependence is high.

Finally, no support was found for the moderating effect of empathy on the relationship between perceived support and ICB. It would appear that obligations to reciprocate are a stronger predictor of ICB, regardless of situation or an individual's disposition. Receiving support from coworkers creates a sense of indebtedness and an associated tension to resolve an exchange imbalance. The obligation is the focus and reciprocation is the method.

In conclusion, ICBs are an important form of behavior occurring between coworkers. The objective of this study was to examine the interaction between dispositional and situational variables. Support was indicated for a number of the hypothesized relationships. The findings of the current study offer insight for organizations that desire to encourage ICBs.

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VITALIZATION OF THE WIND TUNNEL ENTERPRISE AT NASA LANGLEY RESEARCH CENTER

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ABSTRACT

The Wind Tunnel Enterprise (WTE) at NASA Langley Research Center (LaRC) consists of nine Divisions: Aero- and Gas-Dynamics Division, Facilities & Systems Support Division, Experimental Testing Technology Division, Facility Systems Engineering Division, Information Systems and Services Division, Fabrication Division, Fluid Mechanics and Acoustics Division and Structures Division. The WTE operates as a virtual organization. Wind tunnel facilities within the WTE provide supersonic, subsonic, hypersonic and transonic wind tunnel testing. The wind tunnel facilities at LaRC include the National Transonic Facility, the 0.3M Transonic Cryogenic Tunnel, and the Jet Exit Test Facility.

The Wind Tunnel Enterprise was envisioned as an organization that would apply business-like principles to its operations and the way in which customers are handled. Strategic planning for the WTE was based upon the cooperative and collaborative efforts of customers, stakeholders and producers/operators of LaRC's wind tunnels. As a result of intense global competition, external customers of the wind tunnels had voiced concern that the test cycle time was too long, up to two years in some cases, which caused delays in the time for new products to reach the open market. According to Hamel and Prahalad (1994, p. 34), "product life cycles are getting shorter, development times are getting tighter, and customers expect almost instantaneous service," thus lending support to the need for the WTE to operate in a timely and efficient manner to meet customer needs. Another concern of external customers of the WTE involved the quality of the data that they were receiving from wind tunnel testing. The WTE's mission also took the concerns of internal customers into consideration, since they too were negatively impacted by inefficiencies and data quality issues surrounding wind tunnel testing.

Although in draft form, the WTE's mission is to "provide reliable, accurate research information to the aeronautical community in a timely manner. To accomplish this requires a focus on increasing productivity, cost-effective operations, technical support that adds value, and the development of new facility capability and test techniques." There are numerous technical, operational, cultural and management goals for the WTE. These goals were established to enable the WTE to have a positive impact on the bottom-line; specifically, increased productivity, data quality, customer satisfaction and employee satisfaction, and decreased cost and cycle time.

A major component of the WTE is the proposed Wind Tunnel University. Wind Tunnel University was the focus of this study, which was conducted through the NASA Langley ASEE Summer Faculty Fellowship Program during the summer of 1998. Wind Tunnel University is connected to the WTE's cultural goals. This researcher worked closely with the Employee Development Branch Head at NASA LaRC and with the Wind Tunnel Enterprise Team Leaders to

create a framework for the identification of core competencies of the Wind Tunnel Enterprise (i.e., Tunnel Operations and Wind Tunnel Information Technology) and associated skills. Meetings were held with the WTE Curriculum Committee and interviews were held with LaRC administrators, researchers and technicians. Core competencies provide organizations with a competitive advantage because they give the organization a unique distinction over others and provide something of value or reduced cost to the customer (Hamel and Prahalad, 1994, p. 208).

A Gap Analysis Survey was designed, using core competencies and skills that had been identified previously, to examine gaps that exist between the skills of WTE employees today, verses those skills that are needed, both now and in the future. The survey was fine-tuned through the use of an electronic meeting with LaRC researchers and technicians who are subject matter experts. The survey was completed following the meeting and submitted electronically to the subject matter experts to make any subsequent changes or revisions that were needed. The subject matter experts were also requested to submit definitions for each skill area listed on the survey that fell within their primary area of expertise. The purpose of the definitions was twofold: 1) to provide a description of the skills for employees who will take the survey, in case the skills are unfamiliar to them; and 2) to use as a starting point in developing a catalog with a description of each course offered in the future through the proposed Wind Tunnel University.

The Gap Analysis Survey has been put on a Web page and individual respondents from the WTE will be assured that their responses will be kept anonymous. Once changes are made to the survey, including the addition of all skill definitions, and necessary approvals are given, the survey will be administered. Although individual anonymity is assured, the data can be analyzed by organization code. Future skill requirements due to cutting edge technologies and those on the horizon will also be identified. The survey results will provide LaRC with a snapshot view of the state of the WTE today in terms of employee skills and will give a strong indication of the types of training needed. The employee skills will be stored in a skills data bank and as other companies are doing (Meister, 1998, p. 131), will be assessed on a continual basis to ensure that the needs of the WTE are met and that the gap between skills and needs is closed. The training that will be provided will be directly linked to the strategic goals of the WTE. Metrics will be created to measure the success of each training program. The Wind Tunnel University is projected to serve as a national model for wind tunnel training and may serve outside customers and government agencies in the future.

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ACTIVITY-BASED COSTING AND STRATEGIC MANAGEMENT: EFFECTS ON EMERGING AND REALIZED STRATEGIES

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ABSTRACT

Over 30 years ago Peter Drucker warned companies about the negative effects of using flawed cost accounting systems to support business strategy decisions. Until very recently, however, very few companies have made significant improvements to the way in which they account for costs. This paper illustrates how activity-based costing (ABC) can be used to enhance business strategy models and improve management decision making. Evidence is based on the results of two comprehensive studies of best practices in the use and application of ABC. A case study, based on one of the best practice companies, is used to illustrate the application of these concepts in a business strategy model.

INTRODUCTION

For over a generation, companies in the United States have deployed highly structured business strategy models. These models, however, do not reflect current business realities. Instead, companies need flexible models that react to the dynamics of the marketplace. Furthermore, a robust business strategy model must also have relevant and reliable financial information to support management decision making. One way in which many companies are obtaining better financial information is through activity-based costing (ABC). ABC is an innovative management accounting methodology that improves product costing and leads to better pricing and mix decisions. ABC also supports management initiatives to streamline business processes and control costs.

This paper uses ABC concepts to enhance Mintzberg and Quinn's (1991) Dynamic Business Strategy Model, thereby creating a continuous strategy analysis, formulation, and implementation process [which we describe as the ABC/Emergent (Dynamic) Strategy Model]. Section I describes traditional business strategy models. Section II describes the Dynamic Business Strategy Model and sets the stage for its merger with activity-based costing. In section El, the paper describes ABC and two recent studies that provide evidence of the extent to which ABC is currently being used in industry to support strategic decision making. In section IV an example, based on an ABC best practices' study, demonstrates how the ABC/Emergent (Dynamic) Strategy Model applies to a particular company. And finally, conclusions are offered in Section V. (The support of Arthur Andersen, the American Productivity and Quality Center, the sponsor companies, and the other members of the research team (George Foster, Randolf Holst, John Miller, and Steve Player) are gratefully acknowledged. 'Me author would especially like to thank the representatives from the best· practice companies who participated in this study.)

I. TRADITIONAL BUSINESS STRATEGY MODEL

Numerous books and journal articles have been written which describe traditional business strategies. (See, for example, David, 1997; Wright, Pringle, and Kroll, 1994; Ett and Ireland, 1996- and Thomson and Strickland, 10 editions from 1978 through 1997.) In general, the literature focuses on a six-step process that

1. Examines the external macro environment for political, legal, demographic, technical and social variables impacting the general business climate;
2. Assesses the driving forces and key factors representative of successful companies within a defined industry;
3. Develops the company's mission, objectives, corporate, business, and functional strategies;
4. Identifies the company's organizational culture, structure, leadership, and power,
5. Describes the methods for successfully implementing intended strategies; and
6. Identifies the necessary feedback and monitoring mechanisms to assess and re-evaluate existing strategies.

This process can be formally modeled to evaluate and re-evaluate why a business exists, and how it competes in the marketplace. The process is generally viewed as a series of steps which occurs in predictable time increments, e.g., annually or biannually in stable industries, more frequently in volatile markets (see Exhibit 1).

Exhibit 1

The Traditional Strategy Model*
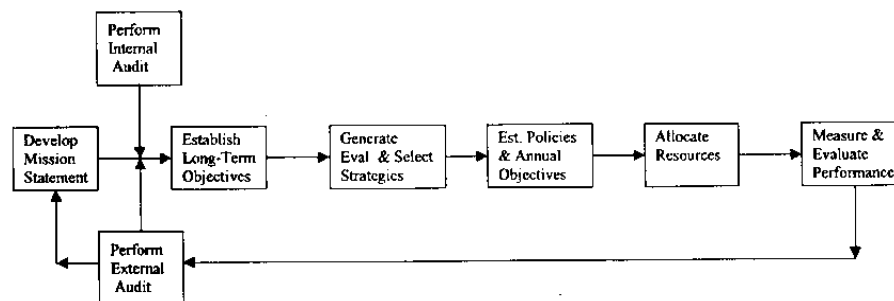
* David, F. R. (1997)

For nearly 2,500 years, however, leaders have known that strategy formulation and implementation is not a lock step process supported by static representations of a predictable business envirorunent. As far back as 500 BC, for example, Sun Tzu recognized the fallacy of believing an army (business ... ed.) could successfully stick to unified, comprehensive, and integrated plans without recognizing that the world doesn't always respond as predicted. "An army may be likened to water--

water leaves dry the high places and seeks the hollows; an army turns from strength and attacks weaknesses.

The flow of water is regulated by the shape of the ground; victory is gained by acting in accordance with the state of the enemy" (Griffith, 1963). Similarly, a business is successful by acting in accordance to how the marketplace reacts to its strategies. Thus, strategy may be viewed not as a plan, but as a pattern of many decisions being made at all levels to achieve an overall objective despite unforeseen barriers or events (Mintzberg and Quinn, 1991).

For example, in athletic contests where play is continuous (e.g., hockey, soccer, and water polo), the players on the field must modify original strategies, experiment with new ideas, and develop proper responses to actual game decisions without much help from the coaches. For a business, managers must analyze incoming operational data, observe actual decisions being made at all levels in the organization, note patterns of behavior at variance with formally declared strategy, and develop new strategies consistent with the firm's mission, goals, and objectives.

Mintzberg and Quinn (1991) developed this more "dynamic" concept into a model displaying a continuous decision making process they call the Dynamic Business Strategy Model. In the following section, we add ABC to their model and illustrate how it performs a vital role in developing emerging strategies.
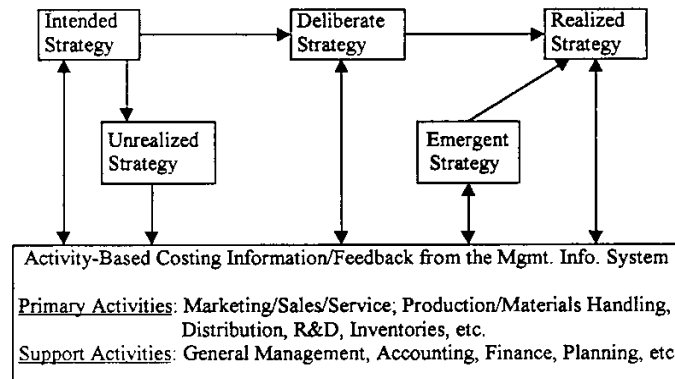
II. ABC / EMERGENT (DYNAMIC) STRATEGY MODEL

Since business strategy in the real world is dynamically developed and modified, accounting and information systems must provide relevant and timely data to help evaluate (1) variances from the formal plan (i.e., the *unrealized* as opposed to the *intended* strategy), (2) the unchanged portion of the intended strategy (i.e., the *deliberate* strategy), (3) modifications to the intended strategy (i.e., *emer'gent* strategies), and finally' (4) the convergence of the deliberate and emerging strategies (i.e., *realized* or new *intended* strategy).

For example, an intended strategy might be to offer a wide variety of related products serving a given industry. Assume, however, that soon after introducing the product line, sales information indicates that an entire category of products is not meeting with customer approval. Therefore, retailers are no longer ordering the slow selling items (the unrealized portion of the strategy), and they are concentrating only on what is selling easily (the deliberate strategy). Assume also that the poor selling items are key to the overall profitability of the manufacturer. A new strategy must be developed to focus on decisions related to potential product redesigns, new channels of distribution, new advertising campaigns, etc. These modifications lead to a new, emergent strategy, which when combined with the aforementioned deliberate strategy creates the realized strategy (see Exhibit 2).

Exhibit 2

The ABC/Emergent (Dynamic) Strategy Model

The strength of the ABC/Emergent (Dynamic) Strategy Model is its ability to portray strategy formulation, reformulation, and implementation in a dynamic or continuous manner (and thus more accurately reflect the real world). And whether a company competes as a low-cost producer or as a differentiator, accurate cost information helps decision-makers fine tune emergent strategy decisions and more effectively manage product modifications, pricing, and mix decisions. For example, Michael Porter describes how cost information is "of vital importance to differentiation strategies because a differentiator must maintain cost proximity to competitors. Unless the resulting price premium exceeds the cost of differentiating, a differentiator will fail to achieve superior performance" (Porter, 1985, p. 62).

III. ACTIVITY-BASED COSTING

During the 1980s and early 1990s manufacturing companies instituted dramatic changes to improve their competitiveness, including total quality management, just-in-time manufacturing, and business process re-engineering, among others. Yet management accounting practice changed remarkably little (See, for example, the work of Kaplan (1984) and Johnson (1987)). Furthermore, as reported bv Johnson and Kaplan (1987, p. 1), "management accounting information, driven by the procedures and cycle of the organization's financial reporting system, is too late, too aggregated, and too distorted to be relevant for managers' planning and control decisions." Accounting systems also stress date specific balance sheets, cash flows, and income assessments that reinforce the rigidity of the formal strategy formulation and implementation process.

Traditional management accounting systems allocate overhead costs to products using simplistic and arbitrary measures, typically relying on direct labor hours as the allocation base. Overhead spending, however, is generally unrelated to direct labor hours worked. Therefore, most product costing systems do not reflect the demands products make on company resources. For example, purchasing costs vary with the number of suppliers and the number of purchase orders, and

spending is not at all related to direct labor. Engineering costs change as new products are developed, or as existing product are modified, and not as the number of direct labor hours change. A result of poor cost accounting techniques is systematic bias and distortion in the cost of individual products, leading to enormous cross subsidies among product lines.

High-volume standard products that require little overhead support are often "over costed," and low-volume specialty products that add complexity to the manufacturing process are "under costed." Peter Drucker recognized this problem over thirty years ago by proclaiming: "Most large companies typically end up with thousands of items in their product line-and all too frequently fewer than 20 really 'sell.' However, these 20 items or less have to contribute revenues to carry the costs of the 9,999 nonsellers' (Drucker, 1963, p. 56).

Product Costing

In recent years management accounting practice has begun a transformation, and few innovations have generated as much interest as activity-based costing. ABC is an accounting methodology in which overhead costs are separated into multiple cost pools, and activity measures trace these costs to products. For example, purchasing costs might be traced to products based on the number of purchase orders, and engineering costs based on the number of engineering changes. Therefore, a cause and effect relationship is created between activities (work performed) and resource consumption. Essentially, products that consume more activities are assigned more costs, resulting in more accurate product costs.

Customer Costing

In addition to product costing, many companies are also using ABC to develop a better understanding of customer-related costs. While a particular product might be profitability sold to customer A, the same product might be unprofitable when it is sold to customer B. There are several reasons why this could occur. Some customers are more expensive to serve based on their ordering pattern, their customer support requirements, and special packing or shipping requirements. Therefore, ABC is also used to evaluate customer profitability.

Cost Control

Prior to ABC, most companies had a very limited understanding of cost behavior. "le they could track departmental spending, they did not know the cost of activities they performed. Just as importantly, these companies did not know the causes, or "drivers' of cost. For example, each time a customer places an order, a series of activities are required. Customer service must record the transaction, and the order must be picked from the warehouse, packed, and shipped to the customer. These activities are required each time a customer places an order. Therefore, customer order frequency is a cost driver. The cost of processing customer orders is controlled by working with customers to consolidate small orders and by establishing minimum order sizes.

Through a better understanding of product costs, customer costs, and cost behavior, companies are now developing more effective functional strategies. As such, functional strategies [i.e., the primary and supporting activities noted in the ABC/Emergent (Dynamic) Strategy Model) are becoming much more sensitive to changes in the marketplace. For example, some companies have fine tuned the way in which they manage their sales force. They no longer blindly emphasize

top line performance without regard to the profitability of each sale. Furthermore, they are now taking a much more pro-active role in managing customer behavior-selling win-win possibilities (A win-win result occurs when both the customer and the supplier benefit from operational improvements. The grocery industry provides some of the best examples where costs are removed from the entire supply chain through the efficient consumer response (ECR) initiative.).

Best Practices in ABC

Two studies were recently conducted to search for best practices in the use and application of ABC. Phase I was sponsored the American Productivity and Quality Center and the Consortium for Advanced Manufacturing-International. As part of this study, one hundred and sixty-six company sites, from a variety of industries, completed a 20-page survey instrument describing their experience with ABC. The survey results, along with telephone interviews, were then used to select 15 best practice companies. Site visits were conducted at each of the best practice companies (The results of the ABC Best Practices Study, Phase I was described by Foster and Swenson (1997)).

The ABC Best Practices Study, Phase B was sponsored by Arthur Andersen and the American Productivity and Quality Center. As part of this study, 161 company sites completed a 16-page survey instrument describing their ABC experiences. Thirteen best practice companies were selected, and field visits were conduced at each location. The results of both studies provide evidence of how companies have used ABC to support business strategy decisions. In particular, the companies used ABC to support product sourcing decisions, product and customer pricing decisions, product and customer mix decisions, and cost reduction efforts.

IV. THE JOHNSON METALS STRATEGY

To illustrate how ABC supports the ABC/Emergent (Dynamic) Strategy Model we now describe its application at one of the companies from Phase H of the ABC Best Practices study. The company is Johnson Metals, part of the Johnson Group of companies. Johnson Metals is a $500 million supplier of steel and aluminum tubing, fixtures, and fasteners. Johnson buys metal tubing and other metal products, which it fabricates, machines, drills, and finishes into parts that are sold to its customers. Johnson also resells some products, such as metal tubing, which require little, if any, additional processing.

Most of the products Johnson sells are commodities, and prices are based on market conditions. While cost information has little influence over pricing at Johnson, management does rely on cost information for product and customer profitability analysis. Management will adjust the mix of products offered and customers served based on the profitability of each. Products that are consistently unprofitable are eventually dropped from the product line. And even though a particular product may be sold to customer A at a profit, the same product may be unprofitable when it is sold to customer B. Some customers are simply more expensive to serve based on their ordering, packaging, shipping, and customer support requirements.

Johnson is not highly differentiated from its competitors based on a single dimension of price, quality, or service. Due to its ability to perform well in all three areas, however, Johnson has continued to grow within its industry. An objective measure of Johnson's performance in each area has been demonstrated in benchmarking data from the Steel Service Center Institute. Johnson has

achieved superior ratings with regard to unit cost comparisons, quality, and on-time delivery. While Johnson's finished goods inventories are slightly higher than the industry average, an element of its deliberate strategy is to maintain enough inventory to react very quickly to customer orders.

Intended Strategy

Johnson Metal's intended strategy (its formal plan) was to maximize sales revenue and profits by selling to a broad customer base. According to its vice president of sales, Johnson intended to be "all things to all people," i.e., make a reasonable profit from the broadest possible range of customer groups. While it strove to provide excellent customer service, management was unaware of the costs associated with the broad range of customer demands. Furthermore, sales commissions were based on revenues, not profits. Therefore, Johnson's sales staff viewed revenue growth as their primary objective.

Unrealized Strategy

Prior to ABC, Johnson Metal's unrealized strategy (variance from its formal plan) was that profit targets were not being met even though market share goals were being realized. Management's intuition was that unrealized profit growth was due to unprofitable customers and not unprofitable products. Historically, the company grouped customers according to sales revenue only. Based on sales revenue, "N' customers are the largest, and even though they represent only 15% of Johnson's customer base, they produce 65% of its revenues. 'S" customers are medium size and represent 25% of Johnson's customer accounts and 20% of its revenues. And finally, "C" customers are the smallest and produce the least revenue (15%) but represent most of Johnson's customers (60%). (This grouping is illustrated in Exhibit 3.)

Exhibit 3

**Customer Account Analysis Based
On Customer Size**

	"A" or Large Customers	"B" or Medium Size Customers	"C" or Small Customers	Total
Amount of Revenue	65%	20%	15%	100%
Number of Customers	15%	25%	60%	100%

Through activity-based costing, however, Johnson discovered that many (but not all) of its "C" customers were unprofitable. Even though the "N' customers and the "C" customers bought many of the same items, the "C" customers were generally more expensive to serve due to the low volume of products they requested in each order. A report that ranks the ten most unprofitable customers is illustrated in Exhibit 4.

Exhibit 4

Accounts With Negative Adjusted Profit
By Branch—Kansas City

Customer Number/ Name	Number of Invoices	Invoice Amount	Gross Profit	Handling/ Inventory Charge	Adjusted Profit
	326	$167,618	$12,393	$30,048	-$13,655
	5	1,289	-1,695	375	-2,071
	30	8,644	494	2,229	-1,734
	39	28,358	2,110	3,096	-985
	29	1,255	926	1,888	-961
	20	2,143	770	1,460	-690
	29	10,887	1,637	2,307	-670
	6	1,378	-97	554	-650
	4	454	-263	332	-594
	3	2,910	-39	537	-576
	7	795	48	411	-462
	3	2,571	-184	266	-450

Deliberate Strategy

Johnson Metal's deliberate strategy (the unchanged portion of its intended strategy) was shaped by its sales staffs incentive compensation program and contractual agreements with its customers. Even though the company's intended strategy was to maximize market share and bottom line profits, bottom line profits were not emphasized in the field. Sales people were paid a commission based on gross sales (not operating profits), and customer contracts did not have minimum order quantities. Therefore, Johnson's deliberate strategy was to increase market share with little (or no) emphasis on profitability.

Emergent Strategy

Johnson's emergent strategy (modifications to its intended strategy) was designed to rectify the problems with its sales compensation plan and customer contracts. Activity-based costing has heavily influenced this strategy by causing changes in its product and customer costing methodologies and profitability analysis.

Ultimately, the effectiveness of Johnson's emergent strategy is dependent upon the ability and willingness of its sales organization to influence customer behavior. Commissions are now based on customer profitability. In fact, commissions are no longer paid for unprofitable customer orders. Furthermore, sales representatives are asked to discontinue calling on low-volume, unprofitable accounts. Instead, these accounts are encouraged to use Johnson's telemarketing department, or buy from smaller distributors. The sales group has also implemented a "fee for service" pricing structure. Customers now pay an additional fee if they require special services, such as special packaging, handling, or shipping requirements.

Johnson has used its ABC data to eliminate costs from the supply chain, saving money for itself, as well as its customers (Many other industries, such as the healthcare and grocery industries, are using ABC to remove costs from their respective supply chains. For example, to become more competitive, a recent Wall Street Journal article described how "...suppliers and health care

purchasers apply such concepts as activity-based costing.). Customers are shown how their behavior affects each party's costs in the supply chain. For example, when a sales order is issued, both the seller and the customer must perform certain activities. The seller must pick, package, and ship the order, as well as process the paperwork. Likewise, the customer must place the order, receive, inspect, and stock it. Johnson uses its ABC system to show customers how they can both save money by consolidating small orders.

Realized Strategy

Johnson's realized strategy (the convergence of its deliberate and emergent strategies) unfolded as unprofitable customers either changed their behavior or were eliminated. This strategy was realized when Johnson sent letters to each of its low-volume customers, asking them to either increase their average order size, use Johnson's telemarketing department, or find another distributor. According to Johnson Metal's president, if the low-volume customers did not increase their order size, they "fired the customer." About 50% of these customers found another distributor; however, the ones who remained dramatically increased their purchases. The result was fewer customers, but no loss in revenue. By focusing on profitable products and customers, Johnson has become even more competitive and offers better pricing and service to the customers it keeps.

V. CONCLUSION

As described in the Johnson Metals example, ABC cost management systems can help companies react to changes in the competitive marketplace and support continued refinements to business and functional strategies. Prior to ABC, Johnson was not nearly as nimble or proactive, and thus could not take advantage of a dynamic business strategy model. Activity-based cost systems enabled Johnson Metals to more effectively take advantage of strategic management processes by providing product and customer cost information that was crucial to understanding the company's current market and competitive position, and creating effective, new strategies (continuous replenishment and product standardization" (June 10, 1997, p. 1)).

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