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MANAGING VIOLENCE: LEGAL AND POLICY ISSUES

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ABSTRACT

As violence in the workplace increases and more court decisions highlight management responsibility, organizations are forced to respond to the problem. With a greater number of acts of violence in the workplace, organizations must develop strategies to create a safer workplace. Decision makers are beginning to understand that the cost of a violence prevention program can more than offset the cost associated with just one violent incident. With more court decisions, management can develop policies and practices to reduce their organizations exposure to litigation. The purpose of this paper is to examine recent legal and policy issues associated with violence and to explore what organizations can do to minimize the negative consequences and reduce their exposure to litigation.

Why is workplace violence an important issue for employers? Let's begin by citing the cost estimates. The cost to employers for all workplace incidents of violence is estimated to be more than $4.2 billion dollars annually (Fornal, 1997). Costs involved include medical and psychiatric care, liability suits, lost business and productivity, repairs and clean-up, higher insurance rates, and most importantly the death or injury of valued employees or coworkers. Workplace violence is the second major cause of death on the job. The US Department of Labor reported 856 workplace homicides in 1997. During the 1990s, one study reported 971,517 total acts of workplace violence and 159,094 injuries associated with those acts. A table is included that contains a summary of workplace violence detailing the type of crime, the average annual number of reported workplace victimizations, and the average annual number of injuries from workplace victimizations.

Two recent legal developments are the difficulty of complying with the Americans with Disabilities Act (ADA) and negligent hiring and defamation litigation associated with reference checking. The ADA concerns are associated with mental disorders such as schizophrenia and bipolar disorder. The difficult issues that employers are confronted with revolve around situations where employees who have these types of disabilities and for whatever reason stop taking the medication that controls the conditions or when these conditions result in either threats or actual violent behavior. While the employee who stops taking medication is still protected by the ADA, the employer's other workers may now be exposed to "needless danger."

ADA guidelines do provide employers with some guidance on dealing with mentally disabled employees when they pose a direct threat or a significant risk of substantial harm to other employees and when the risk cannot be eliminated with a reasonable accommodation. Two recent U.S. Court of Appeals have upheld employer's decisions to fire mentally disabled employees based on performance and behavior.

A REANALYSIS OF CONFLICT AND LEADER RELATIONSHIPS IN THE ZACCARO AND DOBBINS (1989) STUDY WITH RESPECT TO THE NATURE OF THE WORK GROUP AND THE ORGANIZATION

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ABSTRACT

In a sample drawn from a military organization, Zaccaro and Dobbins (1989) hypothesized and empirically confirmed that satisfaction with supervision and satisfaction with coworkers were more closely associated with group commitment than with organizational commitment. The data were reanalyzed using structural equation modeling. Furthermore, the same model was tested on data from an organization which featured self-directed work teams. It was hypothesized that differences in leadership structure would be related to the intensity of member commitment toward different entities, either the global organization or the work unit. Similar differences were hypothesized with respect to role conflict.

INTRODUCTION

Relationships among work groups, leaders, and the employing organization has been the concern for academics and practitioners for a number of years. Recently the proliferation of the use of work teams has caused a reexamination of the roles and responsibilities of first level supervisors and their subordinates (Manz & Sims, 1984, 1987; Hackman, 1986). At the same time, the changing of employee roles as a result of the use of work teams has resulted in role conflict becoming an important issue in the workplace. The purpose of this paper is to examine these issues in a military organization and a civilian organization which features self-directed work teams.

THE MILITARY ORGANIZATION

In a military organization sergeants can be thought of as analogous to first level supervisors in civilian life. Even though sergeants are in command of their squads, they are not commissioned officers and clear demarcations between officers and enlisted personnel are established and maintained. While sergeants issue commands and relay orders from officers, they are closely linked to their subordinates because they actually perform the tasks with them. In this respect, Zaccaro and Dobbins (1989) hypothesized that sergeants would be perceived both as representatives of their groups and as agents of the organization. Based on this logic they hypothesized that satisfaction with the sergeants (i.e. satisfaction with supervision) would be equally related to both organizational commitment and group commitment. Their results were contrary to this expectation, with satisfaction with supervision being more closely associated with group commitment than with organizational commitment. The methodology used by Zaccaro and Dobbins considered only bivariate correlations

and did not consider the simultaneous effects of other conditions that may have an effect on the relationships. It is proposed here that when a more appropriate methodology is applied, a more accurate determination of the relationship among satisfaction with supervision and group and organizational commitment can be ascertained. In particular, I propose to reanalyze the data published by Zaccaro and Dobbins using structural equation modeling in order for the simultaneous effects of all the variables in the model to be accounted for. Specifically, I will consider the effects of satisfaction with supervision, satisfaction with coworkers, and role conflict.

Role conflict is a condition that occurs when an individual is placed in the position of having to pursue opposing goals. The degree to which the immediate supervisor and coworkers can intervene to help rectify such conflict represents a positive interaction with the distressed individual. Based on social exchange theory (Blau, 1964) and the norm of reciprocity (Gouldner, 1960) the favored individual will feel an obligation to reciprocate. Such reciprocation will involve taking on the goals and values of the entity represented by the benefactors, being willing to put forth effort on the behalf of the benefactors, and desiring to maintain membership in the associated social entity. While prior research has linked satisfaction with supervision and satisfaction with coworkers with organizational commitment (Angle & Perry, 1983; Brief & Aldag, 1980; Luthans, Baack, & Taylor, 1987; Mathieu & Zajac, 1990) we reason that, in this case they will be more closely associated with group commitment.

Role conflict has also been linked directly to organizational commitment (Mathieu & Zajac, 1990) and Zaccaro and Dobbins demonstrated that the bivariate correlation between role conflict and organizational commitment was stronger than that between role conflict and group commitment. Even while considering the influence of the satisfaction variables, role conflict should be more closely associated with commitment to the entity from which it emanates. Hence, role conflict will be more closely associated with organizational commitment when the effects of the other variables are considered.

THE CIVILIAN ORGANIZATION

The civilian organization was characterized by self-directed work teams. In such an environment, the first level supervisor, or "facilitator", is external to the team. The roles of the facilitators, are different than in traditional work settings. Facilitators are essential to teams' success because they provide essential "expert coaching and consultation … at appropriate times" (Hackman, 1986, p. 172) while team members control the work pace, break schedules, and task related strategies (Cummings, 1978; Hackman, 1986; Manz & Sims, 1984, 1987; Wall, et al., 1986). Facilitators, therefore, are more removed from teams and have less direct interaction with them. This role means that, to many employees, "the [facilitator] is a representative of the company … and is often viewed as an extension of it (Ogilvie, 1987, p. 341). Hence, employee attitude toward the organization will be shaped to a great extent by the behavior of its representatives, the facilitators. Therefore, contrary to the results in the military organization, it is proposed that satisfaction with supervision in the civilian organization will be more closely related to organizational commitment than to team commitment. Satisfaction with co-workers, however, should remain more closely associated to team commitment for reasons consistent with those that apply to the military organization.

Members of self-directed work teams must make many more decision for themselves as compared to the members of a military squad. Hence the incidence of role conflict originating within the team should be considerably increased. At the same time, the organization should remain a source of such conflict because, even though the teams make significantly more tactical decisions, the organization still makes, communicates, and enforces strategic ones. Therefore, role conflict should be negatively related to both organizational commitment and team commitment.

Due to the difference in the structural relationship between first level supervision in the civilian organization versus a military organization and the change in the roles of group members in a self-directed work team as compared to a military organization, it is hypothesized that:

Hypothesis 1: In the civilian organization, satisfaction with supervision will be more significantly related to organizational commitment then to group commitment, while in the military organization satisfaction with supervision will be more significantly related to group commitment.

Hypothesis 2: In both the civilian and the military organizations, satisfaction with coworkers will be more significantly related to group commitment then to organization commitment.

Hypothesis 3: In the civilian organization, role conflict will be significantly related to both organizational commitment and group commitment, while in the military organization role conflict will be more significantly related to organizational commitment.

METHODS AND RESULTS

Data were collected from 220 employees who were members of 30 team of 8 members each in an automobile outsourcing plant in the Southeast United States. All employees who were present on the day of the survey took part. Organizational commitment (alpha = .88) was measured by the 9-item short form of the OCQ (Mowday, Steers, & Porter, 1979). Team commitment (alpha = .86) was measured by 8-items adapted from the OCQ for this purpose (Bishop & Scott, 1996). Satisfaction with supervision (alpha = .93) and satisfaction with co-workers (alpha = .86) were each measured by the appropriate three-item subscales from the Job Diagnostic Survey (JDS; Hackman & Oldham, 1980) along with three additional items that were added to each scale for the purpose of this study. Role conflict (alpha = .72) was measured by the 6-items from the Rizzo, House, and Lirtzman (1970) scale.

Covariance matrices were analyzed using LISREL 8.12 (Jöreskog & Sörbom, 1993). Though only a correlation matrix was published by Zaccaro and Dobbins, the standard deviations were also published. From these LISREL constructs a covariance matrix to be analyzed. Figures 1 and 2 show the results of the structural equation models for the military and civilian organizations, respectively. The path coefficients are completely standardized.

As indicated in the figures, hypotheses 1 and 2 were supported. While hypothesis 3 was not. The second part of hypothesis 3 was supported in that role conflict was significantly related to organizational commitment in the military organization. Also, in the civilian organization, role conflict was significantly related to organizational commitment but, contrary to the hypothesis, it was not significantly related to team commitment.

CONCLUSIONS

This study demonstrates that different organizational structures with respect to leader relationships with their subordinates can play key roles in the formation of member perceptions of the organization and its various entities. Depending upon what is desired and expected from first level supervisors, an organization should carefully consider how it structures the relationship between its supervisors and its members. For example, if an organization wants its supervisors to be representatives of the company, then a more distant relationship would be called for. On the other hand if the organization expects supervisors to be, and to be perceived as, advocates for employee work groups then a closer relationship between supervisors and groups may be in order.

At the same time, other considerations must be taken into consideration. For example, if the organization wants employees to take on more responsibility, either individually or as teams, then the distance between the employees and the first level supervisors would need to be increased. In this case, it would be more difficult for supervisors to take on the role of advocates.

In terms of role conflict, the results did not support hypothesis 3 which posited that the source of role conflict would be related to the level of commitment to the associated entity. Upon further reflection, it should be noted that this study was not designed to specifically test that proposition. This study focused on replicating and extending the work of Zaccaro and Dobbins in a civilian organization that featured self-directed work teams. In order to test the relationship between the source of role conflict and commitment foci, it will be necessary to decompose role conflict into several dimensions in a manner described by Rizzo, House, and Lirtzman (1970). When applied in modern organizations, this technique is likely to require modification due to the wide variety of sources and types of conflicts. Researchers should consider site specific dimensions of role conflict in a way similar to the site specific approach to organizational citizenship behavior suggested by Organ (1988).

This study has a number of limitations that restrict the nature of the inferences that can be drawn. First, if the models could be compared using the multi group technique available in structural equation modeling, more direct comparisons of the relationships among the variables could be made. Even though the same constructs were measured, the exact scales were not used. This makes the multi group technique inappropriate. Implicit in the hypotheses of this study was the notion that role conflict would be more strongly related to organizational commitment in the military organization than in the civilian one. Since the multi group technique cannot be used, no direct comparison can be made. The most that can be done is to make the observation that the magnitude of the completely standardized path coefficient in the military model is about 2 ¼ as large as the corresponding path in the model representing the civilian organization.

Second, self report data were used for all variables. This subjects the study to common method variance. While this should not render the study invalid, it does limit the confidence one can have in the magnitude of the relationships since common method variance tends to inflate the relationships among variables.

Finally, even though structural equation modeling is sometimes called causal modeling, causal inferences based on cross sectional data must be withheld until further studies, preferably of experimental or quasi-experimental design, can be performed.

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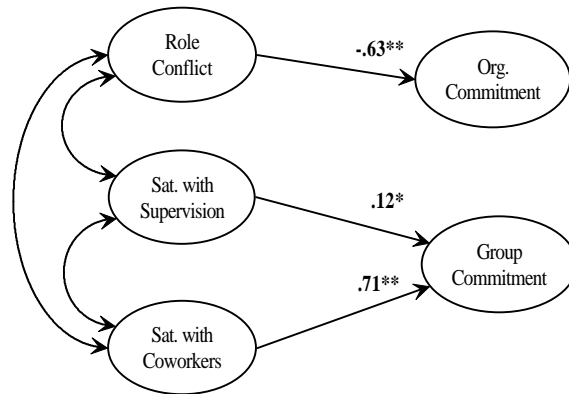
Figure 1
Model of Military Organization

* p < .05
** p < .01
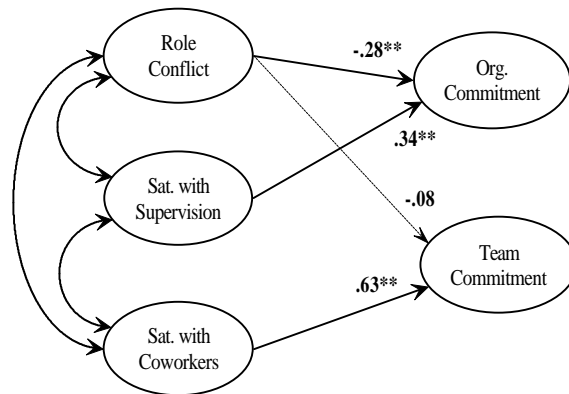
Figure 2
Model of Civilian Organization

* p < .05
** p < .01

DO LAYOFF PRACTICES MATTER?
THEIR RELATIONSHIP TO COMMITMENT
AND PERCEIVED ORGANIZATIONAL SUPPORT
OF PERMANENT AND TEMPORARY EMPLOYEES

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ABSTRACT

This paper examines the impact of human resource management (HRM) practices regarding layoffs and the use of temporary workers on perceived organizational support (POS and organizational commitment. The results indicate that the use of temporary workers with respect to layoff practices has a strong relationship with the level of POS and commitment experienced by permanent workers and temporary workers. Permanent workers in a plant that used temporary workers to shield them form layoffs experienced the highest levels of POS and organizational commitment. Permanent workers in the plant where the layoff policy did not do this had the lowest levels of POS and organizational commitment. Temporary workers in both plants had higher levels of POS than permanent workers in the plant where the layoff policy did not shield permanent workers.

INTRODUCTION

As organizations continue to move to flatter and leaner structures, such changes are frequently accompanied by significant downsizing. The associated reduction in job security, along with a decline of real wages, and continual demands for increased production has coincided with a general deterioration of worker commitment to the employing organizations as well as a decline in worker perception of the degree to which the organization is committed to them.

In conjunction with structural changes, the use of temporary workers has increased in the United States for a number of reasons (Investor's Business Daily, 1995). These reasons include providing the organization with a flexible work force, freeing the organization from a number of human resource management (HRM) tasks, allowing the organization to evaluate workers prior to hiring them on a full time basis, and, in some cases shielding permanent workers from layoffs. With respect to this last point, the purpose of this study is to examine the effects of layoff practices as they relate to temporary versus permanent workers and the effect that such practices have on the commitment workers have for their employing organizations and their perception of the commitment they receive from these organizations.

PERCEIVED ORGANIZATIONAL SUPPORT
AND ORGANIZATIONAL COMMITMENT

Commitment has been viewed as such an important issue that a recent human resources management text book devoted a special section to "building employee commitment" in 12 of its 19 chapters (See Dessler, 1994). Workers concur with regards to the importance of commitment in organizations: more than 96% of employees responding to a 1993 Industry Week survey considered employee commitment to an organization to be critical to its success or failure. Unfortunately, over 87% of these same employees felt that the level of this commitment is lower now than 5 years previously and is, in fact, "… all but gone" (Moskal, 1993: 11).

Reduction in employee commitment is not surprising given the extensive company downsizing, deterioration of wages, and demands for increased productivity mentioned above. This situation is particularly sobering since research shows that organizational commitment has a positive effect on such organizationally valued outcomes as extrarole behavior (Bishop, Burroughs, & Scott, 1998; Gregersen, 1993; Morrison, 1994), job performance (Bishop, Burroughs, & Scott, 1998; Gregersen Brett, Cron, & Slocum, 1995; Mathieu and Zajac, 1990), and lower turnover (Bishop, Scott, & Casino, 1997; Mathieu and Zajac, 1990)

Although the literature offers several definitions and measures of organizational commitment (Mathieu & Zajac, 1990), the Mowday, Porter, and Steers (1982) definition and its measure, the Organizational Commitment Questionnaire (OCQ), are the most widely used and were used in this study. Organizational commitment is the relative strength of an individual's identification with and involvement in a particular organization and can be characterized by (a) a strong belief in and acceptance of the organization's goals and values; (b) a willingness to exert considerable effort on behalf of the organization; and (c) a strong desire to maintain membership in the organization (Mowday, Porter, & Steers, 1982: 27).

Recent conceptual and empirical work on commitment in the work place suggests that commitment is not a unidirectional phenomenon. Eisenberger, Huntington, Hutchison, and Sowa (1986) point out that the conceptualization of commitment also encompasses the attachment that employees perceive that entities within the organization have for them. In particular, they discuss the organization's commitment to its employees. They refer to the degree to which employees believe that their employing organization has commitment for them as perceived organizational support (POS). POS is the degree to which employees believe that the organization values their contribution and cares about their well-being (Eisenberger, et al., 1986).

Social exchange theory proposes that when one person or entity does a favor for another, the recipient of the favor is obliged to reciprocate (Blau, 1964), though the details of when and in what form are unspecified (Gouldner, 1960). Using social exchange theory and the norm of reciprocity (Gouldner, 1960), POS has been hypothesized to have a positive relationship with organizational commitment and empirical results have supported this hypothesis (Bishop, Burroughs, & Scott, 1998; Eisenberger, et al., 1986; Settoon, Bennett, & Liden, 1996; Wayne, Shore, & Liden, 1997). The rationale behind this exchange relationship is that employees experience affective commitment for the company when they perceive that the company provides support to them. POS is an essential component of the exchange relationships associated with organizational commitment (Bishop, 1998; Wayne, Shore, & Liden, 1997).

The norm of reciprocity has a "division of labor" component which states that reciprocation will be made in terms of goods and services that are of value to the object of the reciprocation and is within the capability of the donor (Gouldner, 1960). More specifically, when an individual believes that the organization values his or her contribution to the organization and cares about his or her well-being, then the individual will be inclined to reciprocate by putting forth greater effort on behalf on the organization. Furthermore, the individual who perceives such support may make the interpretation that such consideration represents underlying organization values and internalize them. That is, the effort and value related components of commitment are enhanced by the individual's reaction to high levels of POS. Therefore, an exchange relationship will take place between the individual and the organization that will result in important and necessary advantages and benefits for both.

One of the characteristics of an exchange relationship is that it develops over time. Part of this development is that a pattern of reciprocity is conceived to determine the equity of the balance in the exchange (Rousseau, 1989). The concept of POS was developed to explain the development of employee commitment to the organization (Eisenberger, et al. 1986), and the crux of the explanation is that the development of organizational commitment has a strong basis in social exchange theory. Therefore, events, circumstances, policies, practices, and issues that interrupt this exchange relationship should have a deleterious effect on both POS and, subsequently, on organizational commitment.

HUMAN RESOURCE MANAGEMENT PRACTICES

As the employment relationship clarifies itself over time, employees develop psychological contracts, or sets of expectations, with respect to what their employer expects from them and what they can, in turn, expect from their employer (Rousseau, 1989). Therefore, it is reasonable to expect that HRM practices contribute to the development of such contracts since such practices exemplify what employees can expect from the organization.

With regards to the research question considered here, an organization may expand or shrink its work force by using greater or lesser amounts of temporary workers. Thus, its HRM practice could be described as one designed to shield its permanent workforce from layoffs through the use of temporary workers. An alternative to this practice is to select those to be laid off without consideration of permanent or temporary status.

When an employer shields permanent employees from layoffs caused by external factors, such as business cycles, or internal decisions, such as downsizing, the organization is signaling to its employees that it values their contribution to the organization and cares about their well-being. To the extent that employees perceive this action as evidence that the employer "values their contribution and cares about their well-being" at some relatively high level, then correspondingly high levels of POS should be present. Such shielding actions by the employing organization reinforce the exchange relationship of commitment to the employee by the organization (POS) and commitment to the organization by the employee. Social exchange theory suggests that as employees experience high levels of POS, they will reciprocate with high levels of organizational commitment.

On the other hand, if the employer lays off both permanent and temporary workers without regard to the temporary/permanent status, the employer is interrupting this exchange relationship and is signaling its permanent employees that their contribution and well-being are valued at a relatively

low level. That is, the organization is demonstrating to its employees that it is, at best, ambivalent about their contribution to it and that it cares little about their well-being. In this way, the POS / organizational commitment exchange relationship is interrupted and, according to social exchange theory, the resulting reduced level of POS will be accompanied by a corresponding and reciprocating reduction in organizational commitment.

Temporary workers, on the other hand have different expectations based on the terms and conditions of their employment. Being "let go", while not particularly desirable, would be perceived as part of being a temporary worker. Based on this reasoning,

Hypothesis 1a: Permanent workers in environments which use temporary workers to shield them from layoffs will experience higher levels of POS than permanent workers in environments which layoff workers without regard to permanent/temporary status.

Hypothesis 1b: Permanent workers in environments which use temporary workers to shield them from layoffs will experience higher levels of organizational commitment than permanent workers in environments which layoff workers without regard to permanent/temporary status.

Hypothesis 2a: In environments in which the layoff practice makes use of temporary workers to shield permanent workers from layoffs, permanent workers will experience higher levels of POS than will temporary workers.

Hypothesis 2b: In environments in which the layoff practice makes use of temporary workers to shield permanent workers from layoffs, permanent workers will experience higher levels of organizational commitment than will temporary workers.

Hypothesis 3a: In environments in which the layoff practice does not use temporary workers to shield permanent workers from layoffs, temporary workers will experience higher levels of POS than will permanent workers.

Hypothesis 3b: In environments in which the layoff practice does not use temporary workers to shield permanent workers from layoffs, temporary workers will experience higher levels of organizational commitment than will permanent workers.

METHODS

The sample for this study came from two plants, both outsource suppliers for automobile manufacturers. The companies were not affiliated with each other, were about 60 miles apart, and were located in the mid-Atlantic region. Both plants made significant use of temporary workers. In both cases the temporary workers were employed through temporary employment agencies. Both organizations made use of the temporary work arrangement as a selection device to hire permanent

workers when it was decided that additions were needed to the permanent work force. However, the organizations differed in terms of their respective layoff practices. One plant (hereafter referred to as the "layoff" plant) would layoff workers without regard to the temporary/permanent status. Consequently, permanent workers were being laid off and recalled relatively frequently. In fact this had occurred twice in the five years prior to this study. About 25% of the workers in the plant had been laid off and recalled at least once during that time span. In contrast, the other plant (hereafter referred to as the "shield" plant) used temporary workers as a shield, or buffer, between the permanent workers and possible layoff. Over the same five year period, while faced with the same business cycles in the same industry, the "shield" plant was able to avoid layoffs for its permanent workers. However, the size of the temporary work force did fluctuate accordingly.

A total of 210 and 160 production employees took part in the survey from the "shield" and "layoff" plants, respectively. This represented all employees who were present during the day of the survey administration. The respondents completed the survey on company time and were compensated accordingly. A total of 5 and 6 surveys had to be dropped from the respective samples because of subjects' inability or unwillingness to complete the survey. The final sample sizes were 172 and 135 permanent workers and 33 and 19 temporary workers at the "shield" and "layoff" plant, respectively. Demographically, the samples from the two plants were relatively homogeneous. The average ages of the employees at the "shield" plant were 39.3 years (permanent) and 32.2 years (temporary); at the "layoff" plant the ages were 40.7 and 33.1, respectively. The respondents were mostly white, 84%, 90%, 83%, and 94%, respectively; slightly more female, 53%, 55%, 51%, and 58%, respectively; most had finished high school (88%, 88%, 79%, and 78%). Of the permanent workers at the two plants 60% ("shield") and 55% ("layoff") had been with their respective company 10 years or longer.

POS was measured with the nine item shortened version of the scale developed by Eisenberger, Huntington, Hutchison, and Sowa (1986) and refined by Wayne, Shore, and Liden (1997). The nine item short form of the Organizational Commitment Questionnaire (OCQ; Mowday, Steers, & Porter 1979) was used to measure organizational commitment. For both scales employees indicated the extent of their agreement to the nine items on a scale ranging from strongly disagree (1) to strongly agree (7). The coefficients alphas for the POS and organizational commitment scales were, .90 and .88, respectively.

RESULTS

Prior to testing the hypotheses, a confirmatory factor analysis (CFA) was conducted on the POS and organizational commitment constructs. The results indicated that the hypothesized two-factor model fit the data moderately well. The hypothesized two-factor model was compared with a one factor model to determine if, indeed, two separate constructs were being measured. Comparisons of the two models indicated that the scales did measure separate and distinct constructs. The results appear in Table 1. We also confirmed that POS and organizational commitment were positively correlated ($r = .55$, $\underline{p} < .001$), a result that was consistent with prior research (cf. Wayne, Shore, & Liden, 1997).

In order to test the hypotheses, the data were subdivided into four groups: (1) "shield" plant permanent workers, (2) "shield" plant temporary workers, (3) "layoff" plant permanent workers, (4)

"layoff" plant temporary workers. Two one-way ANOVAs were run on the data to determine if there were differences in the respective means of the POS and organizational commitment variables among the four groups. The analysis included both Duncan's Multiple Range Test and Tukey's Studentized Range Test in order to test which means were different from the others.

The results of the ANOVA for the POS construct are presented in Table 2. The results of the Duncan and Tukey tests were the same (See Table 3). The overall F-test indicated that at least one of the means was significantly different from the others. The Duncan and Tukey tests gave the same result and indicated that the means of POS for permanent workers in the "shield" plant differed significantly from the mean of the permanent workers in the "layoff" plant and that of the temporary workers in their own (the "shield") plant. This provided support for hypothesis 1a and hypothesis 2a, respectively. The mean of POS for temporary workers in the "layoff" plant was significantly higher than that of the permanent workers in the same plant. Thus hypothesis 3a was supported.

The results of the ANOVA for the POS construct are presented in Table 2. The results of the Duncan and Tukey tests were the same (See Table 3). As with POS, the overall F-test for organizational commitment indicated that at least one of the means was significantly different from the others. As to the specific means, the Duncan and Tukey tests indicated that organizational commitment for permanent workers in the "shield" plant differed significantly from that of the permanent workers in the "layoff" plant and the temporary workers in the "shield" plant. This provided support for hypothesis 1b and hypothesis 2b, respectively. Even though the mean of organizational commitment for temporary workers in the "layoff" plant was higher that that of permanent workers in the "layoff" plant, the difference was not significant. Thus hypothesis 3b did not receive support.

DISCUSSION AND CONCLUSIONS

The results of this study contribute to the human resource management literature in a significant and important way. It is the first study to link two HRM issues, layoff practices and the use of temporary workers, to the exchange relationship between the organization and its employees. More specifically, it shows that the nature of the exchange relationship regarding commitment between organizations and their permanent workers can be significantly related to human resource management practices.

This study is also important to practicing managers. Its results suggest that an organization should coordinate its layoff practices with the use of temporary workers. The organization should carefully consider how it wishes to be perceived by its employees. Though it was not hypothesized in this study, the level of POS for temporary workers in the "shield" company did not significantly differ from the level of POS for the temporary workers in the "layoff" company. It would seem then, that the level of POS of temporary workers is rather unaffected by layoff practices. A possible explanation for this is that temporary workers may feel that they are getting what they have bargained for and that the organizations is not violating their psychological contract in the event that it terminates their employment with little notice. Future research should focus on the degree to which such human resource management practices affect other attitudes of temporary workers. For example, specific HRM practices may influence temporary workers' desire to join the organization in the future.

This study, like all field studies, has a number of limitations. First, the sample sizes of the temporary workers were relatively small. This limited the type of data analysis techniques that could be employed and, therefore, the sophistication of the theoretical model that could be tested. Second, layoff practices are arguably an important influence on employee attitudes toward the organization. However, such practices are clearly not the only factors related to POS and organizational commitment. This statement is supported by the results of hypothesis 3b. The lack of support for this hypothesis provides an empirical indication that antecedents other than layoff policies operate employees' levels of organizational commitment. The level of organizational commitment of permanent workers in the "layoff" plant was lower that that of the temporary workers in both of the plants but not significantly so. If the HR policy was the only influence on organizational commitment this difference should have been significant.

Some human resource management issues that have been shown to be related to POS and organizational commitment and were not included in this study are developmental experiences, promotions, and organizational tenure (Wayne, Shore, & Liden, 1997). Some other and human resource management policies and practices that may influence POS and organizational commitment are were not part of this study include compensation schemes, organizational culture, and training and development.

Even with the above limitations, one strength of this study is that the plants were in the same industry. This provided for one element of control since employee expectations with regards to organizational support are likely to be shaped and influenced by norms for the industry in which they work.

Based on this study's limitations, future research should focus on other influences of POS and organizational commitment in organizations with different HR policies. The variables mentioned above could be used as control variables in reexamining the relationship between HRM practices, POS, and organizational commitment. A larger sample size would be a necessary condition to achieve this objective. HRM policies and practices other than layoff practices should be examined, not only for their direct effects, but also for interaction effects on POS and organizational commitment. POS and organizational commitment have been shown to be important independent variables in the study of a number of important organizational outcomes such as intention to quit, organizational citizenship behavior, and performance ratings (Wayne, Shore, & Liden, 1997). The degree to which layoff practices may influence these variables directly, as well as indirectly through POS organizational commitment, should be examined.

Editors' Note: Tables are available from the author.

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TRAITS AND BEHAVIORS AFFECTING VULNERABILITY TO STRESS

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ABSTRACT

Based on data from self reports, women are more adaptable to role demands and tend to engage in behaviors which make them less vulnerable to stress. Reductions in stress should result in reduced stress-related ailments and, in turn, reduced health care costs.

INTRODUCTION AND BACKGROUND

For years there has been an ongoing controversy regarding the effects of what one has (or is) versus what one does. What one has can be as basic as inherited genes over which we have no control, to discretionary behaviors over which have total control. In between, are many observable as well as unobservable concepts such ids, egos, superegos, traits, personalities, attitudes, and behavioral tendencies. Some of the controversy seems to stem from a very old controversy concerning the "inner states," such as ids, egos, attitudes and the like, versus actual observable behaviors. Attempts to explain many phenomena frequently lead to a search for a gene that may have predisposed someone to behave in a certain manner. It is no longer sufficient to say obesity is caused by overeating. It is now suggested that there is a gene causing obesity (The author apologizes for not remembering the source of the information.). This paper represents the beginning of a search for a cause of stress. Due to the nebulous and elusive nature of the concept of stress, a short introduction seems appropriate.

Epidemiological evidence suggests that middle age women are not as afflicted by cardiovascular diseases as are middle age men. Biological differences may explain some of this apparent immunity of women. However, even casual observation would seem to indicate that at least part of the explanation may lie in lifestyles which make women less vulnerable to stress. Results presented in this paper suggest that traits and lifestyle affect vulnerability to stress and, in turn, perceived stress. There are many other variables, but this basic paradigm seems valid enough to justify business' interest in employee lifestyles. Businesses may not be justified in attempts to change or learn about personal lifestyles of employees, but that is another matter entirely.

In this paper, lifestyle and stress are measured by self assessments of feelings/behaviors allegedly associated with felt stress. Since stress is an important cardiovascular risk factor, the link between felt stress and health is assumed to exist and is not assessed here. The link between employee health and costs productivity, is well established. (cf. Farnham, 1991).

Stress is not well defined nor is its role in our lives well understood. First studied by Hans Selye in the 1920's, stress has been called the "general adaptation response" (Selye, 1973) the "emergency reaction" (Cannon, 1932), the "ergotropic reaction" (Hess, 1957), or the "fight-or-flight"

response (Quick and Quick, 1984, p. 6). Stress can have at least three sources. It can come from physical activity (or lack of), mental activity (or lack of), or chemicals (or deficiencies). Whether the effects of stress induced by one source is equivalent to that induced by another source is not clear. There is evidence of strong linkages between and among all three of these stress sources (physical, mental, chemical). Physical activity affects bodily chemical activity which, in turn, affects mental activity. The reverse is apparently also true. Recently, some studies have suggested both physical and mental stress affected cholesterol levels (Rosch, 1994).

And, there is evidence that these same three <u>sources</u> of stress (physical, mental, and chemical) also serve as <u>relievers</u> of stress. Regarding chemicals (including those coming from food), it is apparent that there are some which should be strictly avoided. However, the worth of many depends on the dosage. Similarly, a bit of physical activity, is called training or exercise but large amounts of physical activity are called exertion or strain. Those who work in the area of physical and mental conditioning, suggest there are some physical as well as mental exercises that should be avoided and some which should be practiced. And, some physical exercises can relieve mental stress and some mental exercises can relieve physical stress.

In general, the above three sources and relievers of stress could be said to describe a large proportion of one's lifestyle. It follows that, given the relatively uncontrovertible linkage between stress and cardiovascular diseases, it behooves us to more closely study the relationship between lifestyle and stress. Like many other cardiovascular risk factors, it may very well be that stress is reducible through moderation of lifestyle.

METHODOLOGY

The data collection instrument, shown in Exhibit 1, is actually a combination of five instruments. Items 1 through 20 of Exhibit 1 were selected items from the Bem Sex-Role Inventory (Bem, 1974a) which contains a number of features distinguishing it from other femininity/masculinity scales (Bem, 1974b). These particular twenty items were those chosen by Brief, Schuler, and Van Sell (1981, p. 182). Questionnaire items 21 through 40 are recommended behaviors to reduce one's vulnerability to stress (Time, June 6, 1983, p.54). Items 41 through 60 of Exhibit 1, adapted from DuBrin, 1985a measure perceived stress. Items 61 through 73 of Exhibit 1, adapted from DuBrin, 1985b, are recommended behaviors to reduce stress. Items 74 through 95 which were originally from McLean (1979) as adapted by Quick and Quick, 1984, p. 138, assess behaviors associated with workaholism.

As mentioned, Items 1 through 20 of Exhibit 1 were selected items from the Bem Sex-Role Inventory (Bem, 1974a) which contains a number of features distinguishing it from other femininity/ masculinity scales (Bem, 1974b). These twenty items were included because of the possibility that, as Bem (1974b) asserts, the sex-role dichotomy may have obscured the plausible hypothesis that some subjects may be androgynous. That is, they may exhibit both masculine (e.g. dominant) and feminine (e.g. compassionate) behaviors depending on the perceived situational appropriateness of these behaviors (Cf. Barnett, 1975). Subjects are likely to vary in their abilities to exhibit these behaviors (Cf. Bem, et. al., 1976). The ease with which they exhibit opposite gender behaviors may be related to felt stress, hence, the need to include scales to measure femininity, masculinity, and androgyny. Please note that these scales can be interpreted to measure adaptability but are not meant to measure

sexual appearances, preferences or bisexuality. Of course, the sex-role dichotomy has outlived its legality and utility in employment practices but remains a useful medical variable (Cf. Schein, 1975).

The seven major measured variables were as follows:

Masculinity (M): Odd numbered questionnaire items between 1 and 20 are said to be masculine traits. M = (Items 1+3+5+7+9+11+13+15+17+19)/10

Femininity (F): Even numbered questionnaire items between 1 and 20 are said to be feminine traits. F = (Items 2+4+6+8+10+12+14+16+18+20)/10

Androgyny (A): A = 2.322*(F-M) (Bem, 1974.)

Vulnerability to Stress (V1): Questionnaire items 21 through 40 are recommended behaviors reduce one's vulnerability to stress (Time, June 6, 1983, p.54). V1 = Sum of questionnaire items 21 through 40. (The higher the V1, the higher the vulnerability.)

Vulnerability to Stress (V2): Questionnaire items 61 through 73 are recommended behaviors to reduce stress (DuBrin, 1985b). V2 = Sum of questionnaire items 61 through 73. (The higher the V2, the higher the vulnerability.)

Lack-of-Stress (L): Questionnaire items 41 through 60 are statements of feelings and behaviors indicating one is experiencing stress (DuBrin, 1985a). L = Sum of questionnaire items 41 through 60. (The higher the L, the less the perceived stress.)

No-Workaholic (NW): Questionnaire items 74 through 95 are characteristic behaviors of a so-called "workaholic" (McLean, 1979). NW = Sum of questionnaire items 74 through 95. (The higher the NW, the less the workaholism.)

Voluntary responses to most of the items in the questionnaire shown in Exhibit 1 were obtained from 372 women and 575 men. All were juniors and seniors majoring in business at a large Deep South university (not the author's present employer).

EXPECTATIONS & HYPOTHESES

The literature, albeit without much <u>empirical support</u>, suggests that behaviors increasing vulnerability to stress and behaviors characteristic of workaholics will be associated with higher levels of perceived stress for all subjects. Hence, we expected that subjects having lifestyles which make them more vulnerable to stress, measured by either V1 or V2, would feel more stress. In addition to stressful lifestyles, some situations are alleged to produce stress. In a business school situation, it has been alleged that women will experience added stress because they are being asked in a business school to assume a traditional masculine role (Cf. Lenney, 1977, Horner, 1972). This alleged added stress should be particularly apparent in the present study because the subjects were from a Deep South, traditionally male-dominated, cultural background. This line of reasoning led us to the following hypotheses.

Hypothesis 1. Generally, subjects who are more vulnerable to stress, measured by either V1 or V2, would feel more stress. (Supported. See Table 1.)

Hypothesis 2. Generally, subjects who exhibit less workaholism will perceive less stress. (Supported. See Table 1.)

Hypothesis 3. Men will say they exhibit more traits which are said to be masculine (odd numbered items 1 through 19 in Exhibit 1). (Supported. See Table 2.)

Hypothesis 4. Women will say they exhibit more traits which are said to be feminine (even numbered items 2 through 20 in Exhibit 1). (Supported. See Table 2.)

Hypothesis 5. Women will be more androgynous than men (exhibit both masculine (e.g. dominant) and feminine (e.g. compassionate) behaviors. (Supported. See Table 2.)

Hypothesis 6. Women will exhibit less workaholism than men. (Supported. See Table 2.)

Hypothesis 7. Women lead a lifestyle which makes them less vulnerable to stress. (Supported using one instrument. Not supported using another instrument. See Table 2.)

Hypothesis 8. Women in traditionally male-dominated situations will perceive more stress than men in those situations. (Not Supported. See Table 2.)

Table 1. Correlation Matrix, Major Variables, Female/Male

Variable	Masculinity	Femininity	Androgyny	Vulnerability1	Vulnerability2	No-Workaholic*
Masculinity	1/1					
Femininity	-.01/.24	1/1				
Androgyny	-.77/-.67	.64/.56	1/1			
Vulnerability1	-.17/-.25	-.15/-.27	.03/.01	1/1		
Vulnerability2	-.05/-.21	-.18/-.32	-.07/-.06	.42/.43	1/1	
No-Workaholic*	-.13/-.18	.03/.03	.12/.18	-.06/.07	-.05/.01	1/1
Lack-of-Stress*	.03/.15	.18/.13	.09/-.02	-.31/-.29	-.32/-.32	.37/.33

* The higher the value, the less the Workaholism or Stress.

Table 2. Mean Values of Variables

Variable	Women	Men	t Statistic	Probability	Variance Estimate
Masculinity	3.49	3.69	-5.93	.000	Pooled P(F)=.806
Femininity	3.60	3.43	6.02	.000	Separate P(F)=.044
Androgyny	.27	-.59	9.02	.000	Pooled P(F)=.060
Vulnerability1	43.83	45.37	-2.51	.012	Pooled P(F)=.898
Vulnerability2	33.86	34.10	-.56	.578	Pooled P(F)=.842)
No-Workaholic	72.47	68.59	6.30	.000	Pooled P(F)=.271
Lack-of-Stress	74.65	74.75	-.14	.886	Pooled P(F)=.083

*Men vs. Women Differences on these seven variables are all statistically significant except for Vulnerability2 and Felt Stress

ANALYSES AND RESULTS

An intercorrelation analyses (only parts of it are shown in Table 1) of all raw-scale variables from the questionnaire plus the created variables (Masculinity, Femininity, Androgyny, both measures of Vulnerability, Lack of Stress, and Non-Workaholic, suggested that the normative behaviors

frequently recommended to avoid or reduce stress are effective ones. The Lack-of-Stress variable was significantly correlated with age and with all but seven of the raw-scale lifestyle variables. The seven exceptions were Scales 9, 20, 24, 26, 31, 40, and 61. The Lack-of-Stress variable was also significantly correlated with all the created variables except Androgyny.

As shown in Table 2, there are significant differences in the mean responses of men and women on the trait scales used to measure Masculinity, Femininity, and Androgyny. As one would expect if the scales are valid, men were found to be more masculine and women more feminine. Men were also found to be highly significantly more sex typed, meaning they not only endorse the alleged masculine attributes but simultaneously reject the alleged feminine attributes. Or, from another perspective, women are less sex typed, meaning they are less likely to endorse their feminine gender's alleged attributes and simultaneously reject the masculine gender's alleged attributes. From this finding, we would predict women will adjust to roles requiring "male" attributes more readily than men will adjust to roles requiring "female" attributes. With respect to stress, this finding that women are more androgynous leads us to predict women will experience less stress when required to adjust to male roles than will men required to adjust to female roles.

Two other gender differences were found. Though neither gender was found to be very vulnerable to stress, men were found to be more vulnerable using one measure of vulnerability. Similarly, men indicated they are more likely to be workaholics. Again, neither gender exhibited a high tendency toward workaholism.

CONCLUSIONS AND DISCUSSION

There is a relationship between felt stress and self-described lifestyle. Given the widespread news coverage of lifestyle and stress, this first conclusion is no longer an astute nor a surprising one. Various behaviors alleged to make one vulnerable to stress were significantly correlated with perceived stress in this study. A particularly powerful group of behaviors that appears to increase felt stress is that group of behaviors characteristic of a workaholic.

The normative behaviors suggested by the popular press, by academic writers, and by medical doctors appear to be effective in reducing the felt effects of stress in individuals. There appears to be many behaviors that make one less vulnerable to stress. These behaviors include not only such common sense behaviors as eating hot balanced meals, exercising, and maintaining the appropriate weight, but also such behaviors as giving and receiving affection regularly and smiling at least five minutes every day.

As one would expect, the study found men to be more masculine and women more feminine but more importantly found women more androgynous. Women are less sex-typed than men. Women are less likely to endorse attributes said to be feminine and simultaneously reject those attributes said to be masculine. This finding leads us to predict that women would experience less stress when adjusting to roles requiring attributes said to be masculine than would men adjusting to roles requiring attributes said to be feminine.

Using one measure of vulnerability, women were found to practice behaviors which make them significantly less vulnerable than men to stress. However, it should be emphasized that neither gender was found to be very vulnerable. Similarly, neither was found to exhibit strong workaholic behaviors but men exhibited significantly more than did women.

Recall that we hypothesized, but did not find, that women in this traditionally male-dominated situation will perceive more stress than will the men (Hypothesis 8). After seeing the results we would now hypothesize that the women's lifestyles (less workaholism and fewer of the behaviors that make them vulnerable to stress) coupled with more androgyny makes them feel less stress despite the more stressful situation.

If our findings in this very special population of women approximate the adaptability and lifestyle of the general population of working women, the increase of women in business will not lead to a pronounced increase in stress related ailments in women. We suspect, however, that women in the workplace will be subjected to more discrimination and unwanted harassment than will the women in this study. In other words, our findings regarding felt stress may not have external validity especially when discrimination and harassment are considered. However, our findings regarding androgyny, vulnerability and workaholism are expected to have external validity. That is, we believe the behaviors associated with these concepts are rather well entrenched by the age of the subjects in our study. At the least, there is no a priori reason why either sex is likely to differentially improve their behaviors when they reach the workplace. In other words, although our cross-sectional data do not allow us to state it, we would expect a longitudinal study would show that these women will remain more androgynous and practice healthier lifestyles than will the men in this study.

Much more research is needed, especially with regard to gender differences. For example, we chose to use the androgyny instrument as a measure of adaptability. A replication might consider other measures of adaptability. Regarding lifestyle, we used two vulnerability instruments and a workaholism instrument. One vulnerability instrument resulted in gender differences while the other did not. Other instruments should be tried. Finally, with no additional data collection we need to determine which of the items in these instruments have more discriminatory power. And, since we found age to be correlated with stress (actually Lack-of-Stress) and also correlated with more scales in the first vulnerability instrument (the popular press one) than in the second instrument (the academic one), some more analyses in those areas seems warranted.

EXHIBIT 1. LIFESTYLE QUESTIONNAIRE
(Comments within questionnaire were not in the actual one used in study.)
AGE___GENDER___HEIGHT___WEIGHT___
Describe Yourself: How often are you: (Please circle one.)

	Never Always		Never Always
1. Ambitious	5 4 3 2 1	2. Cheerful	5 4 3 2 1
3. Forceful	5 4 3 2 1	4. Childlike	5 4 3 2 1
5. Independent	5 4 3 2 1	6. Shy	5 4 3 2 1
7. Self-Reliant	5 4 3 2 1	8. Warm	5 4 3 2 1
9. Dominant	5 4 3 2 1	10. Compassionate	5 4 3 2 1
11. Analytical	5 4 3 2 1	12. Gentle	5 4 3 2 1
13. Athletic	5 4 3 2 1	14. Loyal	5 4 3 2 1
15. Individualistic	5 4 3 2 1	16. Sympathetic	5 4 3 2 1
17. Self-Sufficient	5 4 3 2 1	18. Yielding	5 4 3 2 1
19. Aggressive	5 4 3 2 1	20. Soft-Spoken	5 4 3 2 1

How often does each of the following statements apply to you:
[Note: In the actual questionnaire used, each of the following statements were followed by the choices:
   Almost Never 5 4 3 2 1 Almost Always]

Items 21 through 40 measure Vulnerability1

21. I eat at least one hot, balanced meal a day.

22. I get 7 or 8 hours sleep at least 4 nights a week.

23. I give and receive affection regularly.

24. I have at least one relative within 50 miles on whom I can rely.

25. I exercise to the point of perspiration at least twice a week.

26. I smoke less than half a pack of cigarettes a day.

27. I take fewer than five alcoholic drinks a week.

28. I am the appropriate weight for my height.

29. I have an income adequate to meet basic expenses.

30. I get strength from my religious beliefs.

31. I regularly attend club or social activities.

32. I have a network of friends and acquaintances.

33. I have one or more friends to confide in about personal matters.

34. I am in good health (including eyesight, hearing, teeth).

35. I am able to speak openly about my feelings when angry or worried.

36. I have regularly conversations with the people I live with about
   domestic problems, e.g. chores, money and daily living issues.

37. I do something for fun at least once a week.

38. I am able to organize my time effectively.

39. I drink fewer than three cups of coffee (or tea or cola drinks) a day.

40. I take quiet time for myself during the day.

Items 41 through 60 measure Lack of Stress

41. I have been feeling uncomfortably tense lately.

42. I engage in frequent arguments with people close to me.

43. My romantic life is very unsatisfactory.

44. I feel indifferent about life.

45. Many people annoy or irritate me.

46. I have constant cravings for candy or other sweets.

47. I find it difficult to concentrate on my work.

48. I frequently grind my teeth.

49. I increasingly forget about little things like mailing a letter.

50. I increasingly forget about big things like appointments and major errands.

51. I am making far too many trips to the bathroom.

52. People commented lately that I do not look well.

53. I get into verbal fights with other people too frequently.

54. I have been involved in more than one physical fight lately.

55. I have more than my share of tension headaches.

56. I feel nauseated much too often.

57. I feel light-headed or dizzy almost every day.

58. I have churning sensations in my stomach far too often.

59. I am in a big hurry all the time.

60. Far too many things are bothering me these days.

Items 61 through 73 measure Vulnerabilty 2

61. I try to have at least one idle period every day.

62. I listen to others without interrupting them.

63. I read books and articles that demand concentration, rather than trying to speed-read everything.

64. I savor food by taking my time when eating pleasant food.

65. I have a quiet place for retreat at home.

66. I plan leisurely vacations so that virtually every moment is not programmed.

67. I concentrate on enriching myself in at least one area other than work or school.

68. I live by the day or week, not by a stopwatch.

69. I concentrate on one task at a time rather than thinking of what assignment I will be tackling next.

70. I avoid irritating, overly competitive people.

71. I try to drink less coffee, soft drinks, or alcoholic beverages and more fruit juice or water instead.

72. I "stop to smell the flowers," make friends with a preschool child, or play with a kitten once in awhile.

73. I smile at least five minutes every day.

Items 74 through 95 measure No-Workaholism

74. I seem to communicate better with my secretary (co-workers) than with my spouse (or best friend).

75. I am always punctual for appointments.

76. I am better able to relax on Saturdays than on Sunday afternoon.

77. I am more comfortable when I am productive than idle.

78. I carefully organize my hobbies.

79. I am usually much annoyed when my spouse (or friend) keeps me waiting.

80. When I play golf it is mainly with work associates.

81. My spouse (or friend) does not think of me as an easygoing person.

82. When I play tennis I occasionally see (or want to see) my boss's face on the ball before a smash.

83. I tend to substitute my work for interpersonal contacts; that is, work is sometimes a way of avoiding close relationships.

84. Even under pressure, I usually take the extra time to make sure I have all the facts before making a decision.

85. I usually plan every step of the itinerary of a trip in advance and tend to become uncomfortable if plans go awry.

86. I do not enjoy small talk at a reception or party.

87. Most of my friends are in the same line of work.

88. I take work to bed with me when I am home sick.

89. Most of my reading is work related.

90. I work late more frequently than my peers.

91. I talk "shop" on social occasions.

92. I wake up in the night worrying about work problems.

93. My dreams tend to center on work-related conflicts.

94. I play as hard as I work.

95. I tend to become restless on vacation.

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MEASURING CULTURAL DIMENSIONS AT THE INDIVIDUAL LEVEL: AN EXAMINATION OF THE DORFMAN AND HOWELL (1988) SCALES AND ROBERTSON AND HOFFMAN (1999) SCALE

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ABSTRACT

Hofstede's four cultural dimensions (Hofstede, 1980) individualism/collectivism power distance, masculinity and uncertainty avoidance have been widely studied and linked to a number of outcomes of interest to manager employed by cross-national companies. Based on a study of East Asian cultural dimensions, Hofstede and Bond (1988) have added a fifth cultural dimension, Confucian Dynamism, determined to have wide applicability outside of East Asia. Most of these studies measured culture at the societal level by aggregating respondent scores within cultures so that each culture represented one observation in further analysis. Hofstede and others have conceded that is likely to be a great deal of intra-culture variation in cultural orientations which is not addressed through such methodology.

Recently, some researchers have attempted to measure the four original Hofstede dimension (Dorfman & Howell, 1988) and the fifth Hofstede and Bond dimension (Robertson, 1999) at the individual level. This offers a number of advantages, chief among them is the ability to link the strength of a given cultural orientation among individuals to individual level organizational outcomes such as job satisfaction, leadership variables, commitment, organizational citizenship behavior, turnover, and others. Unfortunately, this line of inquiry has been hampered by lack of evidence regarding properties of the scales used to measure these individual-level cultural constructs, particularly regarding convergent and discriminant validity. This study uses principal components analysis to assess all five scales as to whether they are unidimensional as theorized and employs confirmatory factor analysis to test the convergent and discriminant validity of the scales. Results support the unidimensionality, convergent validity, and discriminant validity of the four Dorfman and Howell measures. Results did not support the unidimensionality of the Confucian Dynamism scale, but rather suggested at least two dimensions. Suggestions for utilizing and improving the Confucian Dynamism scale are offered.

HRM FOR THE 21ST CENTURY: A NEW PERSPECTIVE

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ABSTRACT

HRM's focus on material need fulfillment is a necessary but not sufficient response to the organizational task of releasing the full potential of employees. The new century is an opportunity for HRM to expand its vision to incorporate spiritual need fulfillment and thereby make whole the fragmented view of humans upon which it is currently based. The phenomenal material prosperity of the 20th century is a result of organizational conditions and programs that have multiplied employee productivity a thousand fold. The present paper contends that this is only a fraction of the potential locked up in humanity.

Spiritual needs are presented here as a five-step pyramid. The first such need, and the foundation upon which spiritual progress rests, is health. The issue of mind-body integration is emphasized here.

Money alone cannot buy happiness--it is necessary but not sufficient. No amount of wealth can release the full potential of humans in the absence of inner tranquility, but the quest for spiritual fulfillment cannot occur in the absence of a minimum level of material security, which is necessary for health. Achievement of inner tranquility can release the vast amount of creativity and productivity that remains currently largely untapped.

Education is the second step in the spiritual needs pyramid. The recent explosion of self-help literature points to this vast unmet need. Training and development efforts might be supplemented with self-improvement programs of employees' choice. Some hints about this can be garnered from a study of sheishin kyoku or spiritual education as practice by many Japanese organizations.

Spiritual practices the world over indicate silence as the core ingredient of inner tranquility. This is the third step of the pyramid. This silence is no mere absence of spoken words; rather it is the practice of a profound mental silence, characterized by alertness combined with the absence of all activity in the mind. The habit of silence may play a role in stress reduction. Consider, for example, how much human grief would dissolve if only individuals would experience a momentary silence before reacting to each other's utterances.

The material-spiritual dichotomy is ultimately a function of our interpretation of reality rather than a reflection of reality as it is experienced and lived by human beings. Spiritual progress is not limited to mediation and prayer but is often achieved through "material" activities such as

art, music, and writing. Thus, "contributions" is the fourth step in the pyramid. It is important for organizations to recognize that employees have talents far beyond those usually engaged at work.

The final step of the spiritual pyramid is enlightenment, the goal of the spiritual quest. After progressing through the lower steps of the pyramid, one has the skills and tools needed to reach for the ultimate prize. A highly acclaimed eight-step program for spiritual development, ancient but as scientifically grounded as any modern program, is described, and the organization's role in this process is explored.

AN ASSESSMENT OF THE KNOWLEDGE OF CULTURAL DIVERSITY ISSUES OF BUSINESS STUDENTS IN ONE MIDWESTERN UNIVERSITY

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ABSTRACT

Given the emphasis that the American Assembly of Collegiate Schools of Business (AACSB) places upon the instruction of students in a number of specific areas, including cultural diversity, the authors of this paper conducted a research study to determine the extent to which business students in one midwestern university were able to respond effectively to a fourteen point (ten question) pre-test survey questionnaire regarding cultural diversity issues. The results of the study are presented and conclusions are drawn from the results.

INTRODUCTION

The United States (as well as most other Western nations) is said to be more culturally diverse today than at any other time in its history. Consequently, one constantly hears of the need to recognize, to value, and to celebrate diversity (Hoffman, 1997). For example, Paredes (1996) has stated that diversity has become big business in the educational and commercial sectors of the United States' economy. However, there is no consensus as to just what diversity really means, except in a specific context.

For example, George and Jones (1999, p. 22) define diversity as "Differences among people resulting from age, gender, race, ethnicity, religion, sexual orientation, socioeconomic background, and capabilities or disabilities." This is the overall concept of "human" diversity as opposed to the more specific "cultural" diversity issue.

For purposes of this study, the authors use the more specific, and therefore limited, term "cultural" diversity. In the context of the present study, cultural diversity is defined as those major visible identity groups (Native Americans, Asian Americans, Latinos/Chicanos, Blacks/African Americans, Caucasian Americans, etc.) that make up the mosaic of the population of the country today.

The specific interest of the authors was that of determining the extent to which business students in one midwestern university were able to respond effectively to a fourteen point (ten question) pre-test survey questionnaire regarding cultural diversity issues. Had their instruction to date in the area of cultural diversity provided them sufficient knowledge to respond correctly to the questions posed on the survey questionnaire?

REVIEW OF THE LITERATURE

Millions of dollars have been spent on diversity training, minority recruiting, and other activities that would "improve" diversity. U.S. companies spend annually an estimated $200 million to $300 million on diversity training alone (Flynn, 1998). Yet, discrimination lawsuits continue to mount, costing additional millions of dollars, not to mention the emotional and morale costs.

While this paper focuses primarily upon students' ability to understand a relatively brief number of cultural diversity issues, organizations do have to consider much broader areas of concern. The cloudiness of the meaning of diversity lends further difficulty to attempts to diversify. In a much broader perspective than this paper addresses, the questions may well be asked, "Where does it end? Exactly what are we striving for?"

The individual categorizes other people on the basis of how those other people differ from him/her. For example, people are categorized in terms of biological differences (age, gender, race) and cultural differences (family upbringing, national or ethnic heritage, philosophies and beliefs). People also judge others on the bases of differences in occupations, sexual orientation, social class, and physical characteristics.

Treating people differently because of their ethnic heritage is a sensitive issue. Increasingly, individuals and organizations of all types (educational institutions, businesses, government agencies, industry, the media, etc.), as well as society in general, are realizing that programs and practices must be implemented to promote effectively a new awareness of diversity as a positive challenge for all-individual citizens, teachers, students, administrators, staff persons, the clergy, business, government, industry, the media, and the broader, collective society.

The word "diversity" brings to mind differences that can bring new skills and new perspectives to any classroom, business, organization, or the larger society in which one lives. However, diversity can also present problems that can get in the way of realizing the full potential of a nation's greatest resources--its people.

One's future success demands the acceptance of cultural differences (as well as other types of differences) from which will come the new ideas, approaches, an d attitudes that will allow everyone to manage his/her future effectively, whether in the classroom, in the workplace, or in society at large.

Regardless of one's perception of the meaning of diversity, the importance of diversity in organizations is emphasized throughout the literature. The president of the University of New Hampshire, Joan Leitzel, indicated, "Diversity in our student body, faculty and staff is important to providing quality education because people from different backgrounds with different beliefs learn from one another and because our students are likely to live and work in pluralistic societies when they graduate" (UNA/President, 1998).

Rock (1998) indicated that "in today's environment of global competition, full utilization of people is the context for diversity in the workforce." He further stated that it is necessary to utilize every person we have so as to supply a sustained competitive advantage for organizations. Creativity and innovation are the drivers of success. The future belongs to those who can accept cultural differences, as well as differences in values and communication styles, etc., working together to bridge the gaps.

Toward this end, Dr. Arnold Mitchem, president of the Council for Opportunity in Education, argued, "If our goal is to make sure there are African Americans and Hispanic and Native Americans at the highest levels of government and the most important boardrooms in America, then we have to start with those. colleges and universities that feed those institutions. Policymakers will never be able to make good decisions concerning the entire population if they exclude a growing percentage of the people impacted by their choices" (Ruffins, 1999). Further, Peter Block states that "institutions need to internally operate as an example of the larger society they want to influence. You cannot give to a customer what you have not experienced yourself" (Garmon, 1998).

The question can be asked of those colleges and universities whether the makeup of their respective organizational structures exemplify those cultural differences and respect for those cultural differences they expect the faculty members to value, to embrace, and to teach. In other words, do those educational institutions not only provide appropriate instruction about cultural diversity in their classrooms but also employ and retain culturally diverse administrations, staffs, and faculty members, as well as counselors and advisers, etc., in order to indicate their sharing, valuing, and embracing the application of cultural diversity, thereby providing a much broader program of cultural diversity through which their students may be able to learn to value and embrace the concept more fully.

This review of the literature provides no information specifically related to the extent to which the students surveyed are able to respond effectively to the cultural diversity issues included on the survey instrument. However, the literature does indicate the importance of today's students being able to understand, value, and embrace cultural diversity in order to live and work effectively in an increasingly culturally diverse society.

STATEMENT OF THE PROBLEM

The American Assembly of Collegiate Schools of Business (AACSB) requires candidate colleges/schools of business to include a number of specific areas of instruction in each of the core courses of the college or school's proposed B.S.B.A. curriculum. Cultural diversity is among the several specific areas of instruction that are emphasized by the AACSB as being an important component of each of the core courses of the program of study.

The authors of this study sought to determine the extent to which a representative sample of business students in a midwestern regional university were able to respond effectively to a limited number of cultural diversity issues through the use of a ten-question survey questionnaire. The results of the study were tabulated, analyzed, and presented, and conclusions were drawn from the information obtained.

METHODOLOGY AND RESULTS

We have collected all the necessary data needed and are statistically analyzing the data. We are confident that we shall be able to present the data and the results at the conference.

PUBLIC SECTOR HUMAN RESOURCE MANAGERS' AWARENESS OF THE AMERICANS WITH DISABILITIES ACT (ADA)

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ABSTRACT

The Americans with Disabilities Act (ADA) is arguably the most important piece of employment legislation passed in the 1990s. Literature on the ADA in the field of personnel/human resources concerns mainly (a) tutorials on how to comply with the law and (b) models of factors that potentially influence compliance (e.g., Stone& Colella, 1996; Academy of Management Review; 21, pp. 352-401). There is relatively little evidence concerning the extent to which practicing managers are informed and knowledgeable about the law and its provisions. Awareness of the law is critical for its effective implementation.

The present study addressed awareness and knowledge of the Americans with Disabilities Act (ADA) using a sample of 102 human resource managers from the public sector. A previously developed questionnaire was used to compute scores bearing on respondents' extent of ADA knowledge. Average correct score was 88%. This suggests a high level of ADA awareness and knowledge among the managers studied. Examination of individual questionnaire items revealed some variation in knowledge of the provisions of the law. Up to 37% of the sample responded incorrectly to items that concerned reasonable accommodation. Demographic variables such as age, gender, and educational level did not appear related to ADA knowledge scores. Furthermore, results of an analysis of variance provided no evidence that the scores varied across types of agencies used in the sample, e.g., city governments, state governments, police departments, etc. The role of managers' ADA knowledge in influencing compliance with the law is discussed.

THE NEW EMERGING TEMPORARY WORKFORCE

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ABSTRACT

With the downsizing, re-engineering, and restructuring of corporations to meet international competition, a new segment of the workforce has emerged. The workforce, which has been estimated by the Wall Street Journal and others to comprise up to 30% (in headcount) of the total domestic workforce, is made up of both blue and white collar part-time, temporary, permanent-temporary (perma-temps), freelancers, independent contractor and 'lifestyle' workers. Unlike the skilled-trades people of the 50's and 60's whose wages and benefits were developed through mechanisms such as national labor contracts, today's contingent/temporary workforce is largely on its own. The temporary worker of the 1990's is typically without health and life insurance, short and long term disability benefits, retirement programs, or wages rates determined by the collective power of an organized labor pool. Contingent employees must work through a large variety of temporary employment agencies who set up contracts with firms (clients) and dictate wages to the employee. As a writer in a recent Fortune magazine area noted, " We are in an era of the just in time employee and the throwaway executive".

This paper explores the breadth and scope of the temporary workforce by attempting to answer the following questions:

What is the make up of the new contingent/contract workforce?
How do they find employment in the first place?
How do these employees negotiate for their jobs and wages?
How do these employees obtain benefits?
What are the major emerging labor and legal issues relating to this new segment of the workforce?

The paper ends with a series of guidelines useful for anyone entering the temporary workforce and suggests several areas for more in-depth research.

INTRODUCTION

With the downsizing of American and many foreign corporations and the general restructuring of the American economy to meet brutal global competition, a new segment of the domestic workforce has emerged. The workforce, which is alleged by some groups to comprise nearly 30% of the entire workforce[17], is made up of part-time, temporary, permanent temporaries "permatemps", freelancers, and independent contractors (hereinafter contractor and contingent worker will be used interchangeably). Unlike the skilled trades people of the 1940's – 60's, who were supported by portable national union contracts allowing members to move around the country, today's contingent or contract workforce is largely on its own. The contract worker of the 1990's is typically without

health, life, short and long term disability, and retirement benefits. In addition, these workers must, for the most part, work through several categories of temporary employment agencies ranging from simple 'pass through' to 'full service firms' that find work for contractors and provide optional benefits packages. All this is occurring in a period where client firms are increasingly focused on preserving their core competencies and outsourcing or covering other areas with temporary/contract labor. "We are in an era of the *just in time employee* and the *throwaway executive*" wrote one writer of the contemporary business scene[5].

The world of the contingent employee exploded in the 1980's and now covers all aspects of the nations' workforce[12] (see Exhibit 1). This paper identifies and summarizes the information currently available on the contingent workforce and provides insights on areas for more focused research. The paper attempts to answer the following questions:

Who is in the new mobile 'contingent/contract' workforce?
How do they negotiate for jobs and wages?
How do the obtain benefits?
How do they find employment?
What are the emerging legal and labor issues relating to this relatively new segment of the workforce?

The paper also includes industry analyses and trends and a representative strategy for anyone entering the temporary workforce. The strategy represents a compilation of advice found in several sources located in the Footnotes and from several structured interviews of both contract workers and managers of temporary employment agencies.

Exhibit 1
Scope of the Contingent/Contract Workforce[30,31]

Engineering: CAD/CAM operators, designers, detailers, draftspersons, engineers

Information Technology: Experts in platforms, operating systems, programming languages, databases, application programming

Professional: Accountants: auditors, CPA's, tax, governmental; buyers, lawyers, personnel specialists, estimators, para-legals, office and personnel managers, financial analysts

Executives: For all industries and for director, vice presidential, and CEO levels

Manufacturing Expediters, inspectors, inventory controllers, planners/schedulers, production controllers, quality auditors, etc.

Graphic Arts and Publications: Desktop publishers, graphic artists, technical illustrators, writers/editors

Medical – Paramedical, emergency medical technicians, nursing (all categories)

Scientists: All fields of biological, chemical, environmental, medical, pharmaceutical, physical, telecommunications

Staffing Services and Solutions[30] : Packaged services – payroll, On-site management, Staff leasing, Full-time placement, generic Outsourcing ...all for client employers,

II. Profile of the Temporary Workforce
(see Exhibit 2)

The emergence of large numbers of temporary workers has been described as the result of "corporate downsizing, forced multiple job changes, global competition, the need for two wage-earner families, the acceptance of independent contracting as a legitimate source of labor, and general wage stagnation"[32]. Fifteen percent of workers who held full-time jobs for a year or longer during 1991-'95 found themselves spun off the payroll ...when they landed a new job [permanent or temporary], it came with an average 14% pay-cut[32]. The core labor pool is therefore composed of both experienced workers attempting to return to permanent employment and new workers attempting to get a toehold in the workforce. The total pool also includes the second family wage earner and individuals whose financial and other circumstances allow them to work less than full-time. There are several additional reasons for the explosion in the numbers of contract employees. One major cause seems to be a deliberate functional[33] strategy to create flexibility within American firms. Flexibility is deemed desirable by firms for several reasons[34] :

Firms can become better candidates for merger and/or divestiture
Firms create a greater ability to restructure (constantly, if necessary)
Firms are better able to eliminate deadwood and high-priced middle management.

Another reason for the rise in contract employment is worker attitudes. According to surveys published by Kelly Services, Inc. in September of 1998, the motivations of long term 'temporaries' are more complicated than the recently downsized worker or the need for a second wage earner[35] . The 1998 survey, which was performed by R&D Magazine, concluded that employees – for the most part – enjoyed being temporaries; they wanted employment that fit their lifestyles as well as work. These 'lifestyle' workers orient their work to their lives. They seem to move from company to company like 'free agents' selling their skills to the 'team of their choice [35]. They are not interested in corporate loyalty – either giving or receiving.

Rounding out the contract employee continuum are both voluntary and involuntary 'free lancers' which include: (1) early retirees, (2) individuals who have followed their spouses to new locations, (3) parents who have built their jobs around childcare and family needs, and (4) recent college graduates who want to test the work place before committing to permanent employment. For the recent graduate/'white collar' professional (lawyers, CPA's, engineers, scientists, etc.), temporary assignments provide a good first step into a profession. If the contractor works through a national agency, the prospects of finding employment with large and established firms are rather high. Kelly Services, in their company information package, has noted that over 90% of all Fortune 500 firms have large numbers of contract workers. Other national temporary agencies also have standing

contracts with these major firms and provide a steady stream of contract workers. For example, standing supplier contracts with individual large firms appears to be a cornerstone strategy of Manpower, Inc. Manpower, the largest supplier of contract employees in the world, expends large amounts of time and money advertising and promoting the major supplier contracts it has with large firms[31]. Thus, the new mobile workforce consists primarily of displaced (downsized) workers, workers coping with multiple-career spouses, and new (generally highly skilled) entrants to the workforce who tend to value lifestyle over traditional careers. The new, mobile workforce operates through a variety of temporary employment agency models. Various types of agencies will be examined in the next section of this paper.

Exhibit 2
Taxonomy of Terms[21]

Types of Employees

Contract Employee- A skilled temporary employee who is employed by a contract employment agency and assigned to a client company under terms specified by a contract between the agency and the Client Company...sometimes called leased employees or technical temp...usually referred to as 'the contractor'
Road Warriors – Temporary workers who travel far and wide for a good assignment
Contractors vs. Consultants – Despite common usage, consultants are not contract employees, independent contractors, or permanent employees. Consultants offer advice and provide specific analyses and recommendations but not directed valued added to products or services.
*Independent Contractor-*Individuals who treat themselves as small (one-person) business with all the tax and legal implications accruing to a small business (double taxation, etc.). They are self-employed vendors of record.
Freelancers – Individuals who typically find their own work and treat themselves either as self-employed vendors or record or employ pass through agencies to create an employer of record for the client firm to deal with.
Part-Time – Individuals who work as a regular employee of a firm but on a less than full time contract. If 51% of full time or better, the typically enjoy permanent full-time employee benefits.
Common-Law Employees – Contract workers who have worked for a firm for so long (usually more than a year of continuous employment) that the law begins viewing them as common-law 'permanent' employees of the firm (with all benefits rights)
Agency dependent and Agency independent employees – All of the above fall into one of these categories.

III. Types of Temporary Agencies
(see Exhibit 3 and Table 1)

Exhibit 3 summarizes each generally recognized form of temporary agency. All categories of contract employees – except perhaps legal independent contractors - can use these agencies:

The *traditional* model is the best known as the classical supplier of officer workers and seasonal employees. The agency contacts potential client companies, determines what employment opportunities are available, and matches individuals from the agency labor pool to the job opening. Often, the temporary agency representative operates as a recruiter who extols the virtues of one or more employees in his/her pool and talks a client firm into hiring them even if they didn't have a formal job opening. If successful, a contract is negotiated and the client firm receives the employee in a few days. The temporary agency typically charges the contractor 20% or more of the hourly rate charged to the client firm for recruiting costs plus additional charges to cover office overhead.

Exhibit 3

Types of Employment Agencies

Traditional Temporary Agency Model – The classic temp employment agency focused on traditional semi-skilled and office employees.
Small Niche Specialist Model – Commissioned recruiters are replaced by salaried staffers who locate jobs in narrow fields and notify candidates who have signed with the agency.
Pass Through Model – An agency which handles a temporary employee's paper work only-no recruiting; just employers of record for a client firm.
Consulting Firm Model – Vendors who consult (e.g., Arthur Anderson Consulting); these are not contract employment agencies.
Association Model – Used by independent contractors who negotiate directly with the client agency; it is typically a highly computerized job matching service...favorite of the *road warrior.*
Profit Center Model – This is a creation of Section 1706 of the Tax Reform Act of 1986. It is designed for technical contractors who work through a third party employer of record.
Generic Full Service Agencies – Any of the above agencies (except perhaps the pass-through agency); services provided include W-2, benefits, insurance, etc. Kelly Services and Manpower, Inc. are large scale examples, but many firms have a 'cafeteria' plan that enables the contractor to choose his/her own benefits and services package.

In the traditional model, the contractor is the employee of the temporary agency. Client firms like this arrangement because it effectively excludes the contractor from receiving benefits and other perks. One temporary worker interviewed[36] during the study revealed that he had discovered his firm was charging 30% of the hourly rate paid by the client firm. The only benefit the contractor received was W-2 type paper work, and withholdings for taxes and social security.

The *Small Niche Specialist Model* replaces commissioned recruiters with staffers who use Internet and other technology to 'surf' for job openings being advertised by client firms. The niche firm notifies his/her contractor pool and the contractor takes the lead in obtaining the employment. The niche staffer carefully pre-screens the candidate contractors they are willing to work with and often give preferred contractors password access to job listings. Again, the contractor becomes the employee of the agency. Niche specialists typically make 30% of the bill rate while representing the potential contract employee.

The *Consulting Firm Model* is not a temporary employment agency. As noted in Exhibit 2, consultants are vendors who consult. Employees of a consulting firm are not 'leased' to the client

firm. No third party relationship exists. Employees of these firms typically receive complete benefit and retirement option packages as well as all the tax accounting.

The *Association Model* is a computer matching service for clients and contractors. These types of agencies typically operate on a global scale and use *road warrior* style contractors to fill the positions. These *road warriors* are willing to work anywhere, anytime – for a price.

The *Pass-Through Model* involves staffers who merely handle the paperwork creating a third party employee thus enabling the client firm to remain arms length from the contractor. The contractor must do all his/her job searching and negotiating. The pass through model represents the minimum cost model for a contractor and rarely costs the contractor more than 20% of the billing rate. The agency is the contractor's employer of record.

The *Profit Center Model*, was created as the result of recent federal legislation which singled out technical contractors and excluded them from statutory protection previously granted all independent contractors under legislation enacted in 1978. The exception makes it easier for the IRS to reclassify, as employees of the client, independent contractors who provide technical services through a third party. This enables businesses to avoid using form 1099-type subcontractors by dealing only with *leased* employees. The reasons for this change appear to be political (helps the temporary employment industry) and fiscal (independent contractors now have no choice but to pay their federal taxes in a timely manner. The bottom line effect, however has been to enable 1099 independent contractors to maintain most of their independence while working within the secure and well-understood framework of W-2 contract employment framework (i.e., independent contractors, by leasing their services to the client firm via the profit center type employment agency, maintain most of their independent work style while enabling the client firm to work through a third party agency).

In addition, because profit center firms do not provide recruiters and because all salary money is returned to the profit center, the administrative fees are modest and the independent contractor/W-2 employee is not charged as heavily. The contractor get 30%-50% of gross billings, has access to standard benefit plans (often paid for by the profit centerpiece of the action), and frequently provide retirement programs. In short, profit center agencies are pass through agencies for independent contractors who also receive many of the benefits of a full service agency.

To illustrate the full range of activities by the various temporary employment agencies, see Table-1 and the supporting narrative.

However, regardless of the type of agency used, the literature strongly suggests that contract employees should carefully screen the agencies before determining which ones they would be willing to work for as some firms attempt to charge over 50% of the billing rate[18]. The problems and exposures to the individual contract worker for being 'ripped off' by employment agencies is so great that national organizations[17,18] are being formed to provide direct assistance and federal law is being reviewed in an attempt to reduce the exploitation of this segment of the work force[12,13,37].

Table – 1
Full-Service Versus Pass-Through Agencies[21]

Feature	Full Service Agency	Pass Through Agency
Relationship With Client (i.e., firm using temporary)	Marketing personnel solicit job orders and actively market contractors; Agency aggressively negotiates contract and bills client what market will bear.	Neither solicits job orders nor actively market contractors Agency negotiates a std. contract and bills based in contractor rate
Relationship With Contractor (i.e., the temporary)	Agency gets job order, shops for contractor who matches the need; Agency makes all decisions, withholds payroll taxes and issues paychecks. Agency does not normally disclose bill rate charged to client	Contractor gets the assignment, shops for agency that he/she can work with. Contractor is in control of negotiations. Agency withholds payroll taxes and issues checks. Bill rate is know to all.
Benefit Package	Are common but generally inferior when compared to packages of regular, permanent employees; typically include health, dental, 401(k) retirement and a section 125 plan where contractor can use pre-tax dollars to pay premiums.	Benefits (if any) are similar to Full Service Agency
Agency Take	30% - 50% of bill rate to client	Average 20% of bill rate

The Pass-Through agency can charge a low fee (<=20%) because they eliminate the middle man role played by the Full Service agency. The employee share (80%) is comprised of take-home pay, federal and state withholding, and social security. If the employee contracts for any insurance and retirement, it comes from the 80%. The 20% garnered by the agency is used to cover agency net profit, overhead, and the cost of administering the payroll.

The Full-Service agency can charge approximately 55% of bill rate. The 55% covers agency profit, agency overhead, headhunter's commission, payroll, and contractor benefits including unemployment insurance. Also offered may be a variety of 401(k) retirement plans. The contractor's remaining 45% covers take-home pay, federal and state withholding, social security, etc.

IV. Legal Issues Surrounding Contract Employment[12,13, 17,18,23,37]

There are many reasons a client firm will employ contractors either directly or via a temporary employment agency:

Accomplish a specific assignment, limited in duration and scope
Obtain specialized skill and expertise not available within the firm
Avoid legal issues related to discriminatory hiring practices and wrongful discharge.
Minimize liability from worker's actions
Avoid high overhead of employment benefit costs
Avoid high cost of training new employees
Avoid involvement with unions
Reduce payroll overhead (SSI, unemployment insurance, disability claims, workers compensation)
Avoid federal and state withholding requirements
Simplify government paperwork and reporting requirements
Avoid long term employee commitment
Reduce organizational impact of setting up and shutting down projects
Facilitate transformation from traditional, vertically integrated organization to horizontally networked organization
Replace deadwood and expensive long term employees with highly skilled temporaries

However, the above benefits can be offset by significant risks. Because current labor laws were not designed for the emerging temporary workforce, temporary employees have, by necessity, grown sophisticated and unafraid to take on large firms who treat them like permanent employees yet pay them as temporary contractors[6,8,35,36,]. Disaffected employees are suing client firms by claiming that they were misclassified as contractors when, in reality, they were true employees. Client companies are becoming exposed to government audits designed to recover uncollected fees, taxes, and penalties. The federal government has also become aggressive in the 1990's in attempting to enforce regulations, laws, and recent court rulings affecting the status of employees. Any firm found guilty of misclassifying employees may become responsible for paying ALL withholding taxes, plus interest *even* if the workers had already paid the taxes.

The motivation behind the aggressive federal stance is based upon two notions:

Independent contractors are responsible for withholding their own taxes and Social Security payments. Because independent contractors frequently fail to make these payments, they have become a significant contributor to the "underground economy" that so worries tax collectors.

The federal government wants to protect workers. When businesses fail to make social security, disability, and unemployment payments, these essential safety net programs are harmed.

There is currently, however, a developing framework of regulatory oversight: The main agencies auditing firms (IRS, Employment Department, Workers Compensation Appeals board, INS, US Dept. of Labor, and State Labor commissions) have developed *their own* list of guidelines and rulings. They are often contradictory, and case decisions are quite unpredictable. As a result, firms are facing huge financial penalties. The case of Microsoft is an excellent example:

In 1992, following an IRS complaint on mis-classifying employees, a lawsuit was filed. At issue was a fundamental question: Who is the real employer of record for someone classified as temporary by the client firm but is or has been working for the client firm for well over a year? If the employer of record is the client firm, federal labor laws apply and the client firm is liable for all federal withholding, pension law, and benefits requirements bestowed on the firm for regular, full-time

employees. Microsoft has argued that the employees are temporaries because the individuals are employed by a temporary employment agency on contract with Microsoft to provide them skilled labor. Even if the employees are "permatemps" and have worked for over a year (typically on successive 6-month contracts), they still 'belong' to the temporary agency.

After 5 years of litigation, the courts have ruled at least partially in favor of the permatemps. In July, 1997, the court ruled that at least some of Microsoft's' 6,000 contract/ permatemp employees were, in fact *common-law* employees and therefore under the Employee retirement Income security Act of 1974 (ERISA) were entitled to benefits that other employees get unless the company's benefit plan excludes them. The ninth circuit court of appeals upheld this view and the Supreme Court denied review of the matter in January 1998.

What can a firm do who needs the productive (and relatively less expensive contract worker) to compete in a world economy? The IRS has sifted through hundreds of case findings and created a list of 20 "Common Law" factors which are becoming the standard reference for the client (hiring) firms (IRS Revenue Ruling 87-41; Complete text (1987-1 CB 296) . Under the common law, a worker is an employee if the hiring firm (client firm) has the right to control and direct the way they work, not only with regard to the final result, but also with regard to the detail of when, where, and how the work is done. To make matters really interesting, the IRS goes on to say that it is not necessary that the employer actually direct or control the manner in which the services are performed – it is sufficient that the client firm has the *right* to direct or control the manner in which work is performed. The 20 common law factors are identified – with summary explanations, in the Appendix of this paper. According to one ABC news report, an excellent reference may also be found in *Independent Contractors: A Manager' Guide and Audit Reference,* California Chamber of Commerce (publisher), P.O. Box 1736, Sacramento. CA 95812-1736; phone (916) 444-6670. The reference also states that a comprehensive discussion on employee vs. independent contractor legal issues is available on line at Fenwick and West Publications.

Contract employees are different, but are fundamentally impacted by the independent contractor case law. Issues relating to the hiring of independent contractors are "largely, if not wholly, responsible for creating the entire industry of contract employment agencies". One mistake by the client firm or its employees and the temporary can be turned into a 'regular' employee. The Microsoft case – and similar litigation at Time-Warner and Pacific Power and Electric - have driven home the fact that the cycle of litigation is not over. Indeed, the July 1997 decision against Mircrosoft did nothing to stop a new suit (filed on 11/17/97) challenging the removal of thousands of workers from the original ruling. Temporary workers, encouraged by the efforts of organizations like "Working Today" are even considering unionizing. In late 1997, a group of Microsoft 'permatemps' established their own union, the Washington Alliance of Technology Workers (WashTech). The union is affiliated with the Communication Workers of America, and are currently attempting to sign up the entire Microsoft temporary workforce. The major points being made by WashTech organizers are[37]:

Microsoft manager agrees to hire people, then asks them to sign up as contractors through a temporary employment agency working with Microsoft.
About a third of Microsoft temporaries have worked at the firm for over a year, but they're not made regular employees.

Temporaries often do the same work as the regularly employed but receive no benefits or stock options from Microsoft.

Temporaries often complain they are made to feel like second class citizens – which is underscored by being required to wear distinguishing badges. Temps cannot go company picnics, use company-owned sports fields, or play on company teams.

WashTech may have a point. In a recent wire report[40], Microsoft continues to play 'hardball' with its temporary employees: "A federal judge in Seattle admonished Mircrosoft for language recently added to temporary workers'contracts waiving their right to any future court-ordered pay or benefits. ...calling the contract language *outrageously arrogant*" the very same judge is overseeing the current class action lawsuit between Microsoft and its temporary employee workforce.

Even given all the above problems, client firms have been able to insulate themselves somewhat from federal legislation and rules by contracting with a temporary employment agency and *leasing* employees from the supplier-firm. Companies have also asked other temporary workers to use Pass-Through agencies to keep the relationship arms-length in the legal sense. As noted previously the pass-through firm acts as the intermediary, bills the client and handles the paperwork to establish the worker as a contract employee, withholds taxes, and issues W-2's (see previous section of this paper).

This arms-length approach is not without its own dangers. Any temporary agency who, as the employer of record, treats the individual temporary worker as an independent contract may be subject the *client* firm to an IRS audit. The danger is the IRS may view the arrangement as a co-employment venture, reclassify the employee as an independent contractor, and issue fines to the client firm. If the temporary agency does its job correctly, however, the client firm is relatively safe.

Finally, a very pragmatic issue has risen during the attempts at dealing with the emerging body of law, case decisions, and the necessity for preserving the temporary workforce segment of our economy for those who need and desire this form of employment: *"How can corporate managers be expected to know which contractors are independent contractors, and which are contract employees...and then treat each appropriately according to the twenty common law factors?"* The literature[23] suggests that it cannot be done, and many firms are simply treating all contract temporary employees as if they were independent contractors. As a result, legal contract employees frequently experience undue freedom on the job while receiving virtually no support from the employees of the client firm. This, in turn, has promoted the second-class citizen syndrome stimulating the aforementioned drive towards unionization at Microsoft and the frequent reporting of the unhappiness of many temporary employees[8,19,35,36]. Law and governmental regulations are still inadequate for treating fairly the wide variety of employment conditions in the contract workforce.

V. The Contract Employee-A Generic Approach To A Successful Career

The following discussion represents a general strategy for being successful as a 'permanently temporary' career employee. The approach is heavily influenced by the collective insight manifest from the literature search and interviews used for this paper, but the views are of the author of this paper and should not be professionally attributed to the writers noted in the footnotes. The writing

style is deliberately informal to make the material easier to comprehend and to reduce the total length of this section:

Determine Appropriate Annual Pay Rate

Check the Hourly Rate Billed by your Temporary Employment Agency (TEA) and Compare the Rate With Your Hourly Salary

> *Your Hourly Pay/Bill Rate Charged to Client Firm = Your net of bill rate*
> Note: This calculation is necessary to determine the degree of 'skim' being
> taken by your employment agency.

Comparison Shop With Other TEA's

> *Comparison shopping to determine competitive 'skim rates' by TEA's is essential to ensure that you are not being exploited. If the TEA refuses to tell you what their skim rate is, do not use the firm. If you bring a job to a TEA and use them as a pass-through agency, they should skim no more than 20%. If, however, you use the agency as a full-service function, expect an average 45% of the bill rate charged to the client to go towards TEA overhead, profits, and the cost of benefits and services provided to you.*

Having Determined Your Hourly Pay Rate Net of TEA Skim, Estimate Your Real Annual Income

> Real Annual Income = Annual Salary (hourly rate times annual hours)
> > Value of Company Paid insurance (health, life disability, dental, etc.)
> > Professional Expenses normally paid by firm (software manuals, subscriptions, etc.)
> > Value of Company Perks (annual/performance bonuses, training classes, etc.)
> > Paid company-related travel expenses - Company contribution to retirement program

Note: This figure is your net disposable income prior to paying taxes, social security, etc. It is your first reality check on the amount of money you will be actually making. Of, course, you can go without health and related insurance if you accept the risks involved with that decision. To determine the value of some of the deductions noted above, review the following several steps to determine their equivalent value from the employer's viewpoint.

Compare Your Hourly Rate (from 3, above) With Your Minimum Acceptable Rate

Total Annual Hours per year = 2,080 hours – less paid days off (which you as a contract employee do not get) = actual hours paid per year (typical firm=1700 hrs).

Next, if they offer you a $30.00/hour pay rate with no benefits and perks, you need to ascertain what the equivalent permanent employee is being paid to help you determine whether or not you are being treated appropriately:

A permanent employee at $30.00 per hour times 2080 hours (all holidays and vacation days paid) makes the equivalent of $62,400 per year in gross pay.

Employer paid benefits are typically worth 35% of base pay : $21,840

If you purchased an equivalent benefits package, you would have to pay the cost with AFTER TAX dollars. Thus, the cost to you would be: $21,840/.70 or $31,200 of gross salary (assuming 30% tax bracket).

Thus, a permanent employee has a straight salary of $62,400 plus a benefits package worth $31,200 in after tax dollars = $93,600 in total compensation.

Your break-even point in hourly wage, therefore, should be negotiated in terms of the after tax cost of benefits plus the loss of paid vacation and holidays. Thus: $93,600 per year divided by 1700 billable hours per year equals approximately $55.00 per hour.

$55.00 per hour is your break-even *or minimum acceptable pay rate* if you want the equivalent pay of a regular employee enjoying full ERISA benefits.

Note: Most employers will balk at paying the full rate because they also have to pay the administrative costs and profit of the TEA. Thus, your actual hourly rate will become a function of a three-way negotiation (you, your TEA, and the client firm). That is why it becomes so necessary for you to understand the basic contract spread between your hourly rate and the rate being charged the client.

FINDING YOUR NEXT ASSIGNMENT

General Approach - There are many sources for finding temporary jobs. The easiest way is to find a full service agency that has specialists in your field of endeavor. Firms such as Kelly Services, Manpower, Inc., and Account-Temps have many standing contracts with large firms and can usually have another job lined up for you before your current assignment is completed. These firms are full-service operations, however, so expect the 45% skim. Other means of finding jobs include:

The use of any of the types of Temporary Employment Agencies described in Section III of this paper.

Check special information bases such as The Hidden Job Market, which is a *JobSmart* website (http://jobsmart.org.) . Specialized sites such as *JobSmart* typically provide insights into: (1) a systematic approach to finding jobs that are not extensively advertised, (2) how to research companies before you approach them for a contract position, and (3) how to get networked so both the initial and follow on jobs aren't searched from scratch. Many sites also organize their data by geographic region (i.e., *JobSmart San Diego).*

An extensive treatment of job seeking techniques is illustrated by the *Contract Employees Handbook*: http://www.cehandbook/htmlpages/ceh_system.html

If you use a TEA – and most contractors work through one for the reasons noted earlier in this paper – you need to choose one and sign up. Choosing a contractor is not an easy task, and you may have to simply pick one after doing the best you can based upon insights gleaned from this paper. If you have gone directly to a client firm, however, they may simply refer you to a TEA they work with. In that case you need to find out how much you will be actually making using the techniques noted earlier in this section of the paper before accepting the position.

Your Responsibilities As A Contract Employee – As with any position, you must do whatever is necessary to complete your assignments cheerfully, competently, on time, and under budget (if relevant). If you do not grade out well in each of these areas, the TEA will drop you and real unemployment will become a reality. If, however, if you perform well, you will become a valued asset to your TEA and they will keep you as busy as you can tolerate.

You must also keep your skills current while performing your current assignment. The Full-Service TEA will typically have training programs – or access to training programs – which are crucial to keep yourself current and marketable. As noted earlier, large firms such as Kelly and Manpower, Inc. , have created extensive and on-going training programs for their world wide employment pool. Even 'road warriors' can stay current.

Note: As you add to your skills profile, make certain they are displayed in your current resume.

Develop Professional Alliances and Find a Mentor – Read the networking section *JobSmart* (noted above) to create a list of steps that you must follow in creating a network of professions who can give you leads for your next position. As you proceed through the steps, find a person in your field with whom you can develop a closer professional relationship. Use this relationship to create a mentor-protege type relationship which can serve as a tool to continuously market yourself and to always have the next job lined up while you are still working on your current assignment.

Note: Even if you work for one of the Kelly Services/Manpower type firms you can still take advantage of the mentor-protege model. There are both formal and informal leaders within any large organization who can make your job-seeking much easier. Your name on a 'short list' for certain kinds of jobs can insure your continuous employment without having to go through extensive job search exercises. The mentoring model can also work with the smaller TEA's, and may in fact be more important than when working with the national or international TEA's.

Setting the Stage for Your Next Assignment[22] – The final comments in this section are taken directly from the Contract Employee Handbook and are so concisely written that they do not require additional distillation:

Your agenda for landing the next assignment can be summarized as:
    Continually upgrade your skill set

Take on ever more challenging assignments and projects

Continually upgrade your network of professional contacts

Inform your contacts of your new skills and experiences

Frequently conduct informational interviews with contractors and employees your meet during each assignment.

Create and maintain a logbook to track your professional contacts

Call your key contacts every 30 – 60 days to touch base and exchange information.

Develop mentored relationships with more experienced contractors and employees.

Become a mentor yourself with less experienced workers (they can become a source of future jobs for you).

Following these steps should significantly increase the probability for a smooth transition between current and future temporary employment contracts.

VI. CONCLUSIONS AND FUTURE RESEARCH OPPORTUNITIES

The broad range of activities, agencies, types of workers, types of agencies, evolving federal labor law, and resulting strategies for both the worker and the client firms offers several years worth of research opportunities for the interested academic. Four areas of potential publication and pedagogical interest are immediately evident and will be pursued by this writer during the coming year:

Labor Contract Language – Model contract language and generic contract language checklists is needed for many small and medium sized employers. Academic faculty working with business law specialists can develop and present this language for use by student consultants working through the Small Business Institute Director's association or for term projects in senior courses involving outside businesses.

Personal Benefits Planning for the Contract Employee – It is apparent from the literature search that benefits and retirement planning for the career temporary employee – the so-called *permatemps* – is an area lacking in serious research. All that has evolved to date is large scale litigation, non-systematic evolution of federal labor law, and the springing up of national organizations such as WorkingToday (cited several times in the paper) that are being developed under classical national trade union design rules. There is potential for studying this process and creating specific strategies for both independent contractors and the *permatemps* to maintain basic benefits and retirement plans..

Human Resource Management and the New Mobile Workforce –There is little being published on how the HRM function of a medium to large company should deal with large numbers of contract employees. To date, the strategy is to do everything in their power to keep these employees at arms-length by treating them as either consultant-like independent contractors or *permatemps*. However, as reported in this paper, the evolving body of case law - highlighted by the Microsoft, Time-Warner, and Pacific Power and Electric – suggest that the legal status of the 'common law' employee will fundamentally change how the HRM function of a firm must deal

with job descriptions, compensation and benefits, and quasi-seniority rights of the mobile workforce.

Labor Supply and the Contract Workforce – As a subset of the items listed in three, above, firms will have to manage their contract/*permatemps* in labor shortage areas differently than their 'regular' temporaries. For example, given the continuing shortage of workers in information technology areas, HRM functions are beginning to grant special considerations to the IS contract worker not granted to the other temporary employees. In fact, the strategy of using multiple 6-month contracts to keep these valued temporary employees virtually created the legal 'common-law' employee problem. As other job skill areas become 'high demand' segments of the temporary labor pool, the HRM function may be challenged to manage the cycle of demand as IS runs the same course as the accountants and engineers of the 1970's and 1980's. How the HRM function manages these cycles may impact shareholder value.

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APPENDIX

THE TWENTY COMMON LAW FACTORS
IN DETERMINING THE STATUS OF A CONTRACT EMPLOYEE [41]

(As Compiled By The Internal Revenue Services of the United States)

Under the common law, a worker is an employee if the hiring firm (that is, the person or persons for whom services are performed) has the right to control and direct the way they work, not only with regard to the final result, but also with regard to the details of when, where, and how the work is done. According to the IRS, it is not necessary that the employer actually direct or control the manner in which the services are performed; it is sufficient if the employer has the right to do so.

1.Instructions.

A worker who is required to comply with instructions about when, where, and how work is to be done is ordinarily an employee.

Contractors are not required to follow instructions to accomplish a job.

2.Training.

Training a worker indicates that the hiring firm wants the work done in a particular way.

Contractors typically do not receive training by the hiring firm.

3.Integration.

Integration of the worker's services into the business operations generally shows that the worker is subject to direction and control. When the success or continuation of a business depends upon the performance of particular

workers, those workers necessarily must be subject to a certain amount of control by the hiring firm.

Contractors should not perform work that determines the success or continuation of the hiring firm.

4.Services Rendered Personally.

If the services must be rendered personally by the worker it is presumed that the hiring firm wants the work done in a particular way.

Contractors usually have the right to hire others to do the actual work.

5.Hiring, Supervising, and Paying Assistants.

If the hiring firm hires, supervises, and pays assistants for a worker, that factor generally shows control over the worker.

Contractors must have the authority to control their own assistants.

6. Continuing Relationship.

A continuing relationship between the worker and the hiring firm indicates that an employer-employee relationship exists.

Contractors usually work for the hiring firm at irregular intervals, on call, or whenever work is available.

7. Set Hours of Work.

The establishment of set hours of work by the hiring firm is a factor indicating control over the worker.

Contractors set their own hours of work.

8. Full Time Required.

If the worker must devote substantially full time to the business of the hiring firm, then the hiring firm controls the worker, and restricts the worker from doing other gainful work.

Contractors should not be restricted from seeking and performing other gainful work.

9. Doing Work on Employer's Premises.

If the work is performed on the premises of the hiring firm, that factor suggests control over the worker, especially if the work could be done elsewhere.

Contractors control where they work. If contractors perform work on the premises of the hiring firm, the firm should not direct or supervise their activities.

10. Order or Sequence Set.

If the hiring firm sets, or reserves the right to set, the order or sequence in which work is to be performed, that factor shows control over the worker.

Contractors determine the order and sequence of their work.

11.Oral or Written Reports.

A requirement that the worker submit regular or written reports to the hiring firm indicates a degree of control.

Contractors are hired to produce a final result, and therefore should not be required to submit interim reports.

12. Payment by Hour, Week, Month.

Payment by the hour, week, or month generally points to an employer-employee relationship.

Payment made by the job or on a straight commission generally indicates that the worker is an independent contractor. Contractors may accept periodic payments based on a percentage of work completed, or some other fixed schedule determined before the job begins.

13. Payment of Business and/or Traveling Expenses.

If the hiring firm ordinarily pays the worker's business and/or traveling expenses, the worker is ordinarily a employee. An employer, to be able to control expenses, generally retains the right to regulate and direct the

worker's business activities.

Contractors pay their own incidental expenses.

14. Furnishing of Tools and Materials.

The fact that the hiring firm furnishes significant tools, materials, and other equipment tends to show the existence of an employer-employee relationship.

Usually contractors furnish their own tools, materials, and other equipment. If the hiring firm provides such items, they should be leased to the contractor at fair market rate.

15. Significant Investment.

Lack of investment in separate facilities, such as maintenance or rental of one's own office, indicates dependence on the hiring firm, and accordingly, the existence of an employer-employee relationship.

Contractors should be able to do their work without using the hiring firm's facilities. The contractor's investment in their trade must be real, essential and adequate.

16. Realization of Profit or Loss.

Employees do not realize entrepreneurial profit, and are not at risk of loss, as a result of their work for the hiring firm.

Contractors should be able to make a profit or suffer a loss as a result of their work for the hiring firm.

17. Working for More Than One Firm at a Time.

The hiring firm may restrict its employees from working for another firm, such as a competitor, as a condition of employment.

Contractors are not restricted from working for more than one firm at a time.

18. Making Service Available to General Public.

Employees work primarily for the hiring firm.

Contractors make their services available to the general public on a regular and consistent basis.

19. Right to Discharge.

An employer exercises control through the threat of dismissal, which causes the worker to obey the employer's instructions.

An independent contractor, on the other hand, cannot be fired so long as the independent contractor produces a result that meets the contract specifications.

20. Right to Terminate.

Employees have the right to terminate their relationship with the hiring firm at any time without incurring liability.

Contractors are responsible for the satisfactory completion of their contractual obligation, and may be subject to a penalty or legal action if they fail to complete the agreed upon work.

Note: The above list is adapted from IRS Revenue Ruling 87-41 Listing the 20 Common Law Factors -- Complete Text (1987-1 C296). You should consult a legal or tax advisor for advice concerning specific questions and situations. An excellent and informative summary of legal issues related to the hiring of independent contractors may be found in Independent Contractors: A Manager's Guide and Audit Reference, published by the California Chamber of Commerce, P.O. Box 1736, Sacramento, CA 95812-1736, (916) 444-6670. Another excellent resource is Hiring Independent Contractors: The Employer's Legal Guide (1997by Stephen Fishman, published by Nolo Press. An in-depth and comprehensive discussion of employee vs. independent contractor legal issues is available on-line at Fenwick & West: Publications.

CHIEF EXECUTIVE OFFICER CAREER PATH AS A DETERMINANT OF ORGANIZATIONAL STRATEGIC CHANGE

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ABSTRACT

Top management is responsible for organizational alignment through the initiation of strategic change. Strategic decision-making is complex by nature and strategic choice is often made under conditions of bounded rationality. Decision-makers are bombarded by vague and conflicting stimuli that must be processed and organized in the form of strategic choice. Prior experiences serve to bias which stimuli are selected for diagnosing new strategic problems.

The CEO is a key player in charting an organization's strategic direction. Turnover at the top, or CEO succession, offers the opportunity for strategic realignment. It is argued here that strategists with less varied work experiences possess a more limited frame of reference in addressing current organizational problems. In turn, this more limited frame of reference reduces the set of strategic options Empirical studies to date have focused on the type of career experience, rather than the variety of experience, the CEO successor brings to the new organization.

This research proposes to test the influence of variety of CEO career experiences on corporate strategic change. Career experience profile is based on functional experience variety, company experience variety, industry experience variety, and years with company prior to appointment as CEO. This research anticipates contributing to the strategy and organizational leadership literature through its focus on the influence of previously untested variables on organizational outcomes.

THE EFFECT OF GROUP PRESSURE ON ETHICAL CHOICE: AN EMPIRICAL STUDY

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ABSTRACT

Ethics in American business has become a topic of significant concern over the past several years. Various influences and occurrences may account for this acceleration in concern for ethics: Notable personalities affiliated with the stock and financial markets were convicted of large scale fraud; the U.S. savings and loan scandal which cost taxpayers billions of dollars; political breaches of character such as Watergate and other more recent indiscretions; the exposure of predatory business practices by foreign competitors; social breakdowns within American society such as the Los Angeles riots; companies clearly unethical practices such as A. H. Robbins and their handling of the Dalcon Shield incident. These and many other newsworthy events focus attention on what some describe as a general state of demise in the moral character of business men and women.

The above examples call for reflection about why one group chooses to behave ethically while another group makes less ethical choices? The answer to this question is particularly perplexing considering that most people, if asked individually, would characterize themselves as ethical. Many people, practitioners and academics alike, speculate that improvements in business ethics would contribute to the resolution of many of our country's business and social ills. Calls to arms have been issued to any number of governmental and organizational groups to redress the potential decline in standards of judgement and to instill a greater understanding of, and devotion to, higher standards of ethical and moral conduct.

Business ethical issues arise in the context of human interaction. In other words, if people never interacted, there would be little concern about business related ethical issues. This paper reports the results of an empirical investigation into the influence groups exert on individual ethical behavior and builds a theoretical explanation as to why and to what extent the group influences individual ethical choice.

"YOU ALWAYS HURT THE ONE YOU LOVE": DOMESTIC VIOLENCE IN THE WORKPLACE

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ABSTRACT

Domestic violence crosses all job, race, class and professional lines. Nearly one in four American women between the ages of 18 to 65 has experienced domestic violence. And while the batterers are often barred from going to the victim's home, he may show up at the workplace because he knows where to find her. Depressed, scared, abused workers miss work, have poor concentration and lower productivity. With costs ranging between $3-$5 billion dollars a year, it is time for employers to take a long, hard look at how domestic violence is affecting their companies. This paper will look at background regarding domestic violence in the workplace, the costs to employers, government/business intervention, and what employers can do to protect not only themselves but also their employees from experiencing a violent incident at work.

INTRODUCTION

Just four months after completing court-recommended counseling for domestic abuse, a Kenner, Louisiana man fatally shot his estranged wife at her Florida Avenue office before killing himself with a shot to the head. Urbano Tellez, 35, who had been scheduled to appear in Kenner City Court on charges that he beat his wife a year ago, killed Tania Correa, 32, at IPS of Louisiana, according to police who found the court subpoena at the scene. Both died at the scene of a gunshot wound to the head (Hyman, 1997).

Recently, the Oprah Winfrey Show addressed domestic violence in the workplace, and whether employers are responsible for protecting employees from abuse. Guests included the mother of a woman who was killed at work by her ex-boyfriend. The murdered daughter had notified her boss that her ex-boyfriend, a former deputy sheriff, had threatened to kill her. The boss said he would fire the battered woman if she failed to show up for work, but said he would protect her if she did. The next day, the daughter's ex-boyfriend killed her at her office, and then committed suicide ('Oprah' Looks at the Impact of Domestic Violence at the Workplace, 1997).

Domestic violence is a social challenge that does not disappear when women leave their homes and enter the workplace. The batterers may show up at the workplace because they are often barred from going to the victim's home. The address and phone number of a victim can be easily changed, but not necessarily her job (Hyman, 1996). Not surprisingly, the U.S. Department of Justice estimates that 95% of assaults on spouses or ex-spouses are committed by men against women (The Health Care Response to Domestic Violence, 1997).

Since the vast majority of adults spend all or part of most days at work, the workplace is one of the most effective places to find a domestic violence victim. Although the workplace has become, in fact, the modern community, complete in some cases with childcare, exercise classes, support groups, and healthcare, few companies have built a comprehensive internal response to the problem of domestic violence. This lack of response affects not only the lives of many employees but also the company's bottom line (Creating a Workplace Response to Domestic Violence, 1998).

This paper will look at background regarding domestic violence in the workplace, the cost to employers, government/business intervention, the ABA Commission on Domestic Violence, and what employers can do to protect not only themselves but also their employees from experiencing a violent incident at work.

BACKGROUND

Domestic violence crosses all job, race, class, and professional lines. Nearly one in four American women between the ages of 18 and 65 has experienced domestic violence, according to a recently released national survey, "The Many Faces of Domestic Violence and Its Impact on the Workplace." The nationwide survey, conducted by EDK Associates of New York, was commissioned by The Body Shop and developed with the YWCA of the U.S.A. It is the first national survey to explore psychological violence and the impact of domestic violence on the workplace (One in Four American Women, 1997). Not surprisingly, seventy percent of domestic violence victims are employed, and the U.S. Department of Justice recently released a report estimating that 13,000 acts of domestic violence are committed against working women every year (Shepher, 1998). Domestic violence knows no boundaries. It occurs most often in the home but can, and does, spill over into other arenas. With the increased number of working women, it stands to reason that there would be a corresponding increased in the number of domestic violence incidents in the workplace. That is the challenge that confronts employers everywhere (Chavez, 1997). For instance, in the Chicago, IL area alone, the Chicago Police Department responded to nearly 240,000 domestic violence-related calls in 1996 – an average of 655 calls per day (Eckert, 1998).

Women in abusive relationships often experience multiple forms of domestic violence. Sixteen percent reported they have been physically abused by a current or former intimate partner. Nearly one in ten women reported that a current or past intimate partner forced her to have sex against her will. Fifteen percent of the women reported that they have been stalked, spied upon, or harassed by a current or former partner (Domestic Violence Affects the Workplace, 1998). Though physical abuse at home affects a worker's performance on the job, psychological abuse, especially when it entails stalking or harassing, often invades the workplace (Swift, 1997).

Fifty-nine percent of female stalking victims are stalked by a current or former intimate partner. In 80 percent of these cases, the victims were physically assaulted by their partner. Not surprisingly, women are twice as likely as men to be stalked by an intimate partner (Stalking is Pervasive, 1998). Denying the problem of domestic violence and its extension into the workplace will not make the problem go away. In fact, a catastrophic incident of workplace violence can occur in any organization, even in those organizations whose enlightened leadership has taken every foreseeable precaution to ensure the protection of its employees. This is because all too often the killer turns out to be an estranged spouse or boyfriend of an employee who is not subject to company

background checks or any other employee protection strategies (Chavez, 1997). One in 12, or 8.2 million women will be stalked at some point in their lives. Twenty-eight percent of female and ten percent of male victims attain protective or restraining orders against their stalkers. Eighty-seven percent of all restraining orders against stalkers are violated (Stalking is Pervasive, 1998).

Part of the problem faced by companies is that employees suffering at home are loath to admit their dilemma to anyone at work (Brown, 1997). In addition victims of domestic violence are often embarrassed and reluctant to tell others of their predicament, especially their employer. Many times employees are afraid to tell what is going on because they are afraid they will be fired (Myers, 1998). And the only way an employee is going to go to management and ask for help is if she feels emotionally safe to do so and there are policies put in place (Weldon, 1997).

COST TO EMPLOYERS

Most businesses do not recognize domestic violence is affecting their employees. In a 1990 study of New York domestic violence survivors, partners or ex-partners were harassing women at work almost 75 percent of the time, and the abuse caused 56 percent of them to be late at least five times a month, 28 percent to leave early at least five times a month, and a little over half missed over three full days of work each month (Caswell, 1998). Previous studies have indicated that American workers miss 175,000 days per year because of domestic violence (Woodward, 1998). Overall, domestic violence costs American businesses $3-$5 billion a year in missed work, and it is even more when considering health care costs (Zetlin, 1994).

Less dramatically, but much more frequently, companies lose money when domestic violence lowers productivity. Poor work performance not only diminishes a woman's self-esteem but also has serious implications for employers. Then there are the hidden costs: the anguish and the depression that often follows domestic violence. This anguish and depression interferes with their concentration at work (Brown, 1997).

Other effects on the workplace include:

** Nearly 24% of women who experienced domestic abuse said this abuse caused them to arrive late to work or to miss days at work.
** 15% of women who experienced domestic abuse said they had a difficult time keeping a job, 20% of the women said domestic violence affected their abilities to advance in their careers.
** 25% said they experienced multiple consequences in the workplace.
** 17% of the women reported having suffered from psychological abuse.
** 15% of American women have been stalked, spied on, or harassed by their current or former partner.
** More than one in ten women (12%) reported that their current or former intimate partner harassed them at work, either in person or by telephone (One In Four American Women Has Experienced Domestic Violence, 1997).

In addition, it takes both the batterer and the victim between six and 12 hours to calm down after a violent incident – time that often overlaps into work schedules (Brown, 1997). Increasingly,

employers are starting to recognize that the personal, real-life problems of their employees affect job performance and job performance affects the bottom line (Reynolds, 1997). Workplace domestic violence impacts business in terms of productivity, absenteeism, workplace safety and liability. Yet, only 58% of the nation's major companies say they offer programs that deal with family violence, despite the fact that costs can be staggering for companies that do not address the problem (Brown, 1997).

GOVERNMENT/BUSINESS INTERVENTION

On October 27, 1997, Vice President Al Gore issued new guidelines to make the workplace safer for government employees. The guidelines provide agencies with information on how to develop violence prevention programs, including writing prevention policies, recognizing the warning signs of domestic violence, managing crises, and assisting survivors of domestic and workplace violence (Gore Addresses Domestic Violence in the Workplace, 1997). In addition, both the federal government and forward looking businesses have developed policies to better respond to and prevent violence from occurring at work. For example, on Domestic Violence Workplace Education Day, October 6th:

** Marshalls, a leading off-price family retailer, distributed the Family Violence Prevention Fund's personal action kits to all 65,000 restrooms in all its stores.

** Polaroid held a series of lunch time seminars on the impact of family violence in the workplace.

** Target placed brochures on domestic violence in company restrooms and distributed information to its 140,000 employees throughout the nation.

** Bell/Atlantic/NYNEX Mobile issued educational e-mails to its more than 6,000 employees every day for a week to heighten their awareness of domestic violence and mobilize them to take action.

** Aetna sponsored the exhibition of the "Clothesline" art show, a display of more than 100 tee-shirts decorated with artwork by survivors of domestic and sexual violence, and included an article on domestic violence in a company publication (Dozens of Workplace Education Day Events Take Place, 1997).

** AT&T has spent tens of thousands of dollars on an October awareness campaign. Among their efforts was a power breakfast of 28 key business leaders and a multilanguage resource booklet that human resource managers could use.

** Raley's has donated thousands of dollars to organizations that support battered women

** Airtouch Cellular donated 12 telephones to a District Attorney's office so battered women who are at great risk can call authorities immediately.

** Bank of America employees who request help through their EAP are referred to a therapist for crisis counseling. The company also will help workers fleeing batterers find an appropriate shelter or safe house and can transfer employees to a different work site, if needed (Brown, 1997).

In addition, legislation that would allow battered women to collect unemployment insurance and take family and medical leave was introduced by Senator Paul Wellstone and Congresswoman Lucille Royal-Allard. This bill would enable battered women to use their family and medical leave to attend to pressing needs resulting from the abuse, including court appearances and meetings with attorneys and counselors. The bill also requires states to grant unemployment compensation to women forced to leave their jobs due to domestic violence (Battered Women's Employment Protection Act, 1997).

Also, evolving OSHA regulations and judicial decisions have made unavoidably clear that, through companies need not guarantee safety from violence, they nevertheless must take immediate preventive steps in the face of warning signs of violence, and must promptly and responsibly address threats and incidents that come to light. Companies that fail to do so can suffer tremendous verdicts. The average jury award in cases of lethal workplace violence is $2.2 million. Cases of nonfatal workplace violence also can
lead to large verdicts (Speer, 1998).

Finally, women who have suffered physical or mental damage due to the abuse may be covered under the Family Medical Leave Act (FMLA). If she needs medical assistance, especially if she is hospitalized due to the abuse, or if she needs counseling as a result of domestic violence, it is very possible that the FMLA may cover it (Woodward, 1998).

AMERICAN BAR ASSOCIATION COMMISSION

The American Bar Association Commission on Domestic Violence, in conjunction with several companies, has launched a nationwide campaign to raise awareness of businesses to domestic abuse and to help victims. Joining with the ABA in the campaign launched in April, 1998 in Atlanta is Church's Chicken. Church's distributed pamphlets to workers in 600 restaurants nation-wide (Domestic Abuse Can Hurt Workplace, Too, 1998).

The ABA Commission has also developed a brochure "Steps to Safety: Be Safe, Be Sensible, Be Prepared," which contain legal tips for the battered victim, in addition to actions that can be taken to protect the victim in the home and at work Stocking the pamphlets in women's restrooms at workplaces gives victims a place to reach for them away from the prying eyes of bosses, co-workers, and most important, the abusers themselves. Businesses or victims of domestic abuse wishing to obtain a copy of these safety tips can call the ABA at (312) 988-6229. The pamphlet also is available free through the ABA Website at www.abanet.org/tips.

This campaign, led by the ABA Commission, will educate victims by partnering with corporations and other organizations to disseminate information to their employees and customers. Safety planning benefits the employer as well as the victim. When a victim develops a plan to make herself less vulnerable at work, the whole workplace becomes safer as a result (Domestic Violence Education, 1998).

WHAT EMPLOYERS CAN DO

Most companies go to great lengths to protect employees from danger. Fire drills, safety equipment and extensive courses of safety instruction comprise standard American corporate fare. When it comes to domestic violence in the workplace, however, many companies leave themselves and their employees unprepared and vulnerable. Indeed, in an era in which newspaper headlines of office shootings rattle us with uncomfortable frequency, studies show that

very few companies, including those who have experienced multiple acts of workplace violence, have adequate programs or training in place to help prevent and manage on-site threats and violence.

There are a number of things that employers can do:

** Recognize that domestic violence can be a threat to everyone in the organization.
** Provide training to employees to increase their awareness of domestic violence issues.
** Help employees obtain restraining orders that encompass the workplace.
** Give pictures of the abusive person to security guards or parking lot attendants.
** Expect performance variations.
** Maintain confidentiality.
** Have resources available such as phone numbers of shelters and counseling services.
** Relocate the victim's work space to a more secure area.
** Screen victim's incoming calls.
** Escort victims to and from their cars.
** Remove name and number from automated phone directories
** Establish staggered hours for the employee.
** Create a safe haven in the workplace (Mashberg, 1997).

Educating and training your workforce is a twofold process. Two easy ways to reach employees: holding seminars at lunchtime, inserting educational material in newsletters or paycheck envelopes, or hanging up posters in break areas or restrooms. The second component of training and education consists of sensitivity training for managers and co-workers, notification of security options, and a presentation of available health care services (Woodward, 1998).

CONCLUSION

When a batterer has a restraining order against him to stay away from the house, he always can find his victim at work. With costs ranging between $3-5 billion dollars a year, it is time for employers to take a long, hard look at how domestic violence is affecting their companies. Scared, depressed, abused employees miss work, have poor concentration, and lower productivity. Companies can no longer financially afford the luxury to turn a blind eye to domestic violence which surfaces in the workplace.

At one time, whatever was wrong with your personal life, you kept it to yourself. That's the way it was. You kept it at home because those problems were not welcome in the workplace. But, over time, many employers came to understand that the social problems affecting employees were not good for business. So the office became a source of support for health woes, for alcoholism, and child care, and AIDS. Now it is time to note another social problem that American business is beginning to grapple with: domestic violence.

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PERILS OF OUTSOURCING

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ABSTRACT

Outsourcing mandates from those who are least informed about the specifics of a situation is doomed to failure. Outsourcing does have a role, but decision to outsource should be made on case by case basis by those most knowledgeable about the situation and by those who will be responsible for the outcome of such implementation.

INTRODUCTION

The 1995 session of the North Carolina General Assembly directed the University of North Carolina (UNC) to examine the potential for cost savings by contracting out various services, including housekeeping and maintenance of physical facilities. Upon completion of the study in 1996, it was determined that there was a potential for annual savings of $16.9 million. In concurring with the report, the UNC board of governors directed the universities to proceed with the privatization efforts. This paper reviews the trends of outsourcing within higher education, looking at both the positive and negative aspects of this process. The paper shall then focus on the UNC outsourcing experience, including condemnation of the outsourcing efforts. Further, the paper examines the reactions and responses of effected state employees, including the formation and development of a state employees union. Furthermore, the paper examines the reasons for the resistance by the university administrators and the resulting slow progress of outsourcing by the universities. Finally, several alternatives to outsourcing, some of which were implemented by various universities, are presented. These alternatives accomplish many of the same objectives, without the moral and ethical problems associated with outsourcing.

OUTSOURCING TRENDS IN HIGHER EDUCATION

Governmental and other public institutions are increasingly under pressure to consider privatization. Liberman (1989) defines privatization as transference of activities, functions, or services performed by public employees to the private sector. A five year annual survey conducted by *American School and University Magazine* reported that in 1995, 31.7% of higher educational institutions have privatized five or more support services, up from 26.8% the previous year (Agron, 1996). According to Peter F. Drucker:

> In another 10 to 15 years, organizations may be outsourcing all work that is "support" rather than revenue producing, and all activities that do not offer career opportunities into senior management. In many organizations, a majority of the people who work

for them might be employees of an outsourcing contractors (*Wall Street Journal*, March 29, 1995).

A recent survey by the *Economic Intelligence Unit* found that 93% of corporations in the world plan to outsource in some fashion by the year 1998, despite the fact that 91% of these corporations are satisfied with their in-house operations (Huff, 1996).

ADVANTAGES TO OUTSOURCING

The rationale for moving to privatization is typically two fold: first, to reduce costs and second, improve efficiency (Lyons, 1995). Outsourcing becomes an option when an organization cannot provide a service or produce a product at a less cost or of equal quality compare to an outside contractor, then it makes sense to purchase the service or product from an external provider. Proponents argue that the private sector or the market will, by its nature, provide a service at a lower cost and/or at a higher quality than the public sector, which is less concerned with profit than the private sector (Jeffries, 1996). The motivation to outsource in higher education has been spurred as a result of increased competition and dwindling resources. Tuition revenues, adjusted for inflation, have remained constant or have declined for many universities. In addition, public financial support for the higher education have also declined putting added pressure on institutions to find ways to reduce their operating costs, including the support services.

Another perceived benefit of outsourcing is that it allow administrators to spend more time focusing on their primary mission of providing good education for their students and supporting research endeavor by their faculty (Huff, 1995). Significant staff time, energy, and resources are expended managing support functions.

Proponents of outsourcing have also argued that private vendors have greater technical expertise in many areas of specialization than public institutions. In most cases, this is their primary line of business and they have developed considerable experience and expertise in providing their services. Experience and technical superiority can translate into improved service to the institutions (Lyons, 1995).

Finally, a perceived benefit of outsourcing is the flexibility of private firms to terminate employees when needed. In public employment, a number of job protection policies, procedures and practices have become institutionalized and many employees believe they have a right or a privilege to retain employment. Further, because most public employees report to publicly elected governmental body, political considerations frequently arise when employees are laid off or terminated. Private employers, motivated by competition and profits, are much less reluctant to terminate employees when they are no longer needed (Lyons, 1995).

DISADVANTAGES OF OUTSOURCING

While outsourcing may provide many advantages to an institution, there are numerous disadvantages as well. The 1995 American School and University survey on privatization found significant political and public relations problems resulting from outsourcing. In fact, the survey found that the primary reason why many educational institutions do not engage in outsourcing is because

of possible jobs lose of current employees who may have been loyal to the institution for many years (Agron, 1996).

Another disadvantage of outsourcing is the lose of control by the university administration over the personnel that provide the service. Instead of working directly for
the university, contract employees now work under the direct control and supervision of the contractor. Consequently, these employees may not be as flexible, dedicated, and loyal as in-house employees (Lyons, 1996).

Quality of service may also decrease through outsourcing. Most universities and
colleges seek to provide high quality education and related support services to the students. This sentiment is frequently part of the institutional mission statement, and is intended as a guide to employee behavior. While private service companies are also interested in quality, to the extent that the customer satisfaction will lead to renewal of the contract, the primary objective of for-profit companies is to perform their services at minimal cost in order to maximize their profit. This may cause private companies to be less concerned about the quality of services provided to the institution (Lyons, 1996).

Another concern with outsourcing is that special or unusual request for service, which were performed without question by the in-house staff, may now be subject to additional fees by the private contractor. Unless strict performance measures are enacted and enforced, quality and service may suffer (Huff, 1996).

When an institution turns a support service over to a private contractor, reliability
of service is another concern. Should a contractor abruptly cease service due to financial problems or other difficulties, the institution is likely to face hardship. Institution places itself in a more vulnerable position when it outsource its technical expertise, which in many instances cannot be quickly replaced (Lyons, 1996).

Unethical contracting practices can also have a major impact on the effectiveness
of outsourcing. An outsourcer may offer a low bid to win a contract, then notify the institution of subsequent cost increases that originally were not contemplated. Any service not specifically spelled out in the contract may be subject to additional charges, contract language must be carefully reviewed to ensure that such loopholes are reduced to a minimum.

Finally, outsourcing can have a significant impact on the morale of the remaining
employees. An outsourcing company can be an "intrusion into the family" and can engender fear about job security and resentment that the institution has broken a moral contract with its employees (Huff, 1996). An outsourcing survey conducted by Pennsylvania State University's Continuing Education Services Department found that most employees agreed that the worst part of privatization experience was the anxiety caused by the lack of trust between the remaining employees and the institution (Dillion, 1996).

UNIVERSITY OF NORTH CAROLINA SYSTEM SUPPORT SERVICES OUTSOURCING: A CASE STUDY

The 1995 session of the North Carolina General Assembly directed the University of North Carolina to examine the potential for cost saving measures by contracting out various services, including housekeeping and maintenance of physical facilities. Subsequently, a consulting firm was

hired to review seven functional areas: Housekeeping, Grounds Maintenance, HVAC Systems Operation and maintenance, Trash Collection and Disposal, Central Steam Plant Operations and Maintenance, Data Processing Operations, and Hazardous Waste Removal and Disposal. The results of the review indicated a potential annual cost savings of $16.9 million if these areas were outsourced. The Board of Governors agreed with the study and directed the sixteen universities that compose the University of North Carolina system to proceed with privatization efforts (Holmes, 1996).

In November of 1996, meeting was held at the UNC General Administration Office for all sixteen university budget officers to discuss the outsourcing. The purpose of the meeting was to provide budget officers with a review of the outsourcing efforts and to provide guidance and direction on how to proceed with the individual campus outsourcing. The perspective of the University General Administration to the privatization efforts included the belief that the process could create serious morale problems with the staff that were targeted for outsourcing. The view of Mr. William McCoy, UNC vice president for Finance, was that as stewards of the taxpayers' dollar, we want to be sure that we are getting the most for our money. But at the same time we want to be sensitive to the employees and treat them well (Holmes, 1996). Accordingly, the universities were directed to immediately proceed with the outsourcing of the seven study areas over the next three years. Some of the guideline provisions regarding the outsourcing effort included (Holmes, 1996):

1) An internal (university) organization would be allowed to develop its most efficient organization and bid against outsourcing contractors. The function would not be outsourced unless the contractor could provide a savings of 10% or more over the internal organization.

2) Employee involvement in the outsourcing effort was stressed as a way to reduce tension and suspicion of the effort. Employee participation was especially encouraged in the development of the most efficient organization.

3) If a decision was made to outsource a function, the incumbent employees would be offered right of first refusal to a job with the new company. The employees would cease being state employees and loose all benefits associated with state employment. They would be guaranteed a right to their job for a 90-day period. After that period, the contractor would be free to fire or retain the employee as necessary.

4) The contractor would be required to pay employees at a pay scale at competitive market rates. Compensation package including benefits would be comparable to others in the same geographic areas for the same work. Health benefits would be required as a part of the package.

PUBLIC REACTION

On Wednesday, April 10, 1996, the UNC Board of Governors made public the results of their consultant's outsourcing study. On Friday, April 12, 1996, the *Raleigh News and Observer* newspaper ran its first story regarding the planned outsourcing. On Sunday, April 14, 1996, the paper ran an editorial denouncing the effort, which included the following passage:

Of $17 million that could be saved through privatization, a consultant says about a third would come out of the wages and benefits of workers in areas like housekeeping and grounds maintenance. That's how things go these days. The market reigns, and if real human suffers, so be it. But it is depressing to see this cold attitude in a university, dedicated to improving the lives of individuals and society.

The UNC Board of Governors is asking officials at individual campuses to look at which services to privatize. These officials need to reflect on the message they would be send by squeezing people who are barely managing now. It would be income redistribution turned on its head – taking money from those low on the ladder so that others may climb higher.

The newspaper editorial staff was not alone in its condemnation. On May 16, 1996, the *Raleigh News and Observer* printed a letter from Prof. Leon Fink, a Zachary Smith Professor of History at UNC-Chapel Hill, which stated in part:

We ought to see the privatization plan for what it is: a direct attack on the working by middle- and upper-income taxpayers. This action breaks with the logic of an informal social compact which for decades operate between employers and their employees – an unspoken assumption that in exchange for their own honest and loyal effort, workers could expect to benefit in steady employment and rising incomes from a growing economy (Fink, 1996).

Prof. Fink went on to indicate that the current efforts were a part of a national trend and that the social contract was being besieged by a singular focus on efficiency and profitability with devastating impact on working families. He further cited a statistic that between 1980 and 1990 the income of the lowest 20 percent of Americans, a group which included UNC housekeepers, dropped 12 percent, while the top 1 percent soared by 63 percent (Fink, 1996).

Finally, Prof. William E. Donaldson, a Reynolds professor in the North Carolina State University department of poultry science, submitted an editorial in the *Raleigh News and Observer* on May 2, 1998, in which he commented upon the exorbitant amount of money that was spent on the recent inauguration of Molly Broad as president of the UNC system. As part of his comments, he stated:

Enough was spent (by my conservative estimate) on these two events either to pay the yearly salaries of four housekeeping staff or to give 80 housekeepers a 5 percent raise. But that would be "wasting" money. Better that we "outsource" the housekeepers so that we don't have to pay retirement and health insurance premiums for those that clean up after us.

Additional editorials continued to echo the sentiments expressed. It is interesting to note that not one letter could be found in support of the outsourcing effort.

EMPLOYEE REACTION

When the details of the UNC outsourcing study were made public in April 1996, reaction by the effected UNC employees was swift and predictable. On Wednesday, April 10, 1996, shortly after the news was made public, about 200 students and university workers gathered in front of the legislative building in Raleigh to protest. Mr. Bill McCoy, UNC vice president for finance, met the protestors and tried to allay their fears by listing several steps the universities could take to protect the workers, such as requiring private contractors to pay fair-market salaries. If such assurances could not be won, he said, the individual campuses would be free to consider alternatives to privatization (Healy, 1996).

On Friday, September 6, 1996, a rally was held at UNC-Chapel Hill to demonstrate against the outsourcing efforts. Approximately one hundred individuals, composed of UNC housekeepers and student supporters, took to the steps of the South building to say that they would fight any efforts to privatize their jobs. Mr. Larry Farrar, of the newly formed UNC Housekeepers Association, stated the fears and concerns of many (Stancil, 1996):

> We have many concerns that the privatization train has rolled into the station and housekeepers are about to be shipped off to the land. We are prepared to do whatever it takes to protect these jobs.

Mr. Farrar indicated that the UNC Housekeepers Association had discussed a strategy with students from several area universities, and that housekeepers at East Carolina University and North Carolina A & T University were also beginning to organize (Stancil, 1996).

In August 1997, the first issue of *Sweeping Change*, the voice of North Carolina Public Service Workers Union, Local UE 150, was published. Claiming to represent housekeepers from UNC-Chapel Hill, North Carolina State University, North Carolina Central University, and East Carolina University, the newsletter described the union organization efforts to date. The newsletter also highlighted the Grievance for Justice Campaign, an effort by union organizers to present workers' grievances en masse to the North Carolina Board of Governors and the North Carolina General Assembly. Part of the campaign's goal was to spread the formation of local union chapters to the remaining unaffiliated campuses. In commenting on the need to unionize, the newsletter stated:

> By forming a union chapter, employees on UNC campuses can make their own decisions, develop their resources, build community support, and be united with other union chapters throughout the state into a powerful force to improve working conditions.

In addition, the paper exhorts readers to stand up and fight back against downsizing and outsourcing of their jobs.

On September 4, 1998, approximately half of the North Carolina Central University's 61 housekeepers participated in a walkout with the intention of drawing attention to the housekeepers' poor working conditions. Of the 73 housekeepers and grounds workers who work at NC Central University, nearly half of them had already join the union, the North Carolina Public Service Workers

Union U.E. 150. Saladin Muhammad, U.E. 150 Spokesperson and a union organizer, state that organization efforts were being carried out at the UNC-Chapel Hill, East Carolina University, N.C. State University, Fayetteville State University, UNC Greensboro, and Winston-Salem State University (Wellington, Sept. 1997).

CAMPUS REACTION

The public outcry and the formation of service workers' union, took many campus administrators off guard. After all, North Carolina government statute (NCGS) 95-97 explicitly prohibited public employees from becoming members of trade or labor unions. September 26, 1997, a memorandum from Sega P. Howell, University Employee Relations Manager at the Office of State Personnel, was sent to all NC University Personnel Directors to provide direction and clarification regarding the legality and limits of union activities. The memorandum pointed out that while NCGS prohibited public employees from unionizing, the U.S. District Court declared this law unconstitutional in 1969. It is interesting to note that despite being declared unconstitutional, the law remains on the books with the disclaimer listed in fine print. The memorandum went on to clarify that while state employees may join a union, union activities could not be performed on state property, and that state officials may not enter into contract with a union. Furthermore, state employees are specifically excluded from the federal definition of "employees" and are therefore, not subject to the National Labor Relations Act. As a result of this memorandum, individual campuses have done little to stop the unionization effort; however, by being denied the power to collectively bargain, the union has little to offer its members (Howell, 1997).

STATUS OF OUTSOURCING EFFORTS

The General Administration mandate provided specific direction to the campuses on the procedure that was suppose to be followed in examining outsourcing alternatives. The campuses were to develop their most efficient internal support services, develop specifications for bidding out the work of private contractors, solicit bids from the private sector, and then compare those bids with the in-house support service costs.

It is somewhat surprising that as of October 1998, few of the campuses have actually performed the recommendation as prescribed, and many have taken the liberty to substantially modify the method by which the study of outsourcing was performed. For example, rather than directly soliciting bids from the private sector, UNC-Greensboro hired its own consultant to study the potential for savings by outsourcing of its services. The study found that in five of the six areas, the university spends less money by using its own in-house services rather than contracting out. Davis Lumpkin, associate vice-chancellor for facilities management at UNC-Greensboro, said that he was not surprised by the study's findings because the budget had been so tight for so many years that the university streamlined its operations long ago. Asked why he did not perform the study as prescribed by the General Administration, Lumpkin state that he worried that some contractors might deliberately offer a very low estimate in order to get the job and than the quality of service would suffer (McMurtrie, 1996).

UNC-Chapel Hill also took the liberty of hiring its own consultant to study the economics of outsourcing. Again, they also found that use of their in-house services would result in less cost than the use of outside contractors. Bruce Runberg, UNC-Chapel Hill associate vice-chancellor of facilities management, said that their study used much more detailed information and that the original study had many flaws (Stancil, 1998).

North Carolina A & T took the strategy of streamlining its operation. They cut 20 jobs in six departments in order to bring expenses in line with those of private contractors. North Carolina State University outsourced housekeeping and maintenance at their Centennial campus, but transferred their fourteen housekeepers and three mechanics to the main campus so that no one would loose their job (Bonner, 1997). East Carolina University outsourced their housekeeping management, a total of three positions, but left the housekeeping workers intact.

Smaller universities are moving slowly with their outsourcing activities and allowing the larger universities to take the lead in the outsourcing effort. Fayetteville State University performed the study as prescribed on one activity, trash collection, and found that their in-house service was over $15,000 cheaper than the quotes received from outside vendors.

The feelings of campus administrators toward the outsourcing effort may best be summarized by the comments of David Giradot, president of Southeastern Regional Association of Physical Plant Administrators (SRAPPA) and vice-chancellor for facilities at UNC-Wilmington who stated (Girardot, 1998):

> We don't do a very good job of telling our campus communities about the great job that we are doing. In fact, I think that this is one of our major shortcomings as industry, and had led, in some cases, to precipitous outsourcing.
>
> The determination to outsource should be made very carefully, after studying all of the ramifications. There is, however, a growing body of opinion within higher education administration that outsourcing all of our facilities functions is, in most cases, the most cost-effective way to manage facilities responsibilities. Obviously, that is not true in most instances; however, we are guilty of contributing to that perception by not making our campus leadership and our Boards and Legislatures fully aware of the job we are doing.

CONCLUSION

To date, efforts to outsource the support services have not produced considerable savings. Instead, it has caused a great deal of stress and anxiety among the current employees. It should not have come has surprise to administrators that any attempts to displace workers in the name of greater efficiency would be met with some resistance by the workers. Perhaps the administrators were surprised by the intensity of the resistance by the workers and the community. The negative sentiment to outsourcing is expressed most poignantly by Leon Fink (1996) who stated:

> The real question here has little to do with economic balance sheet savings here and there. It is why we as a state – at a time the legislature contends with a surplus not a

deficit – should even be considering this assault on the citizenry who compose our stable, low wage, public work force. It is perhaps a function of what some have called "turbocharged capitalism" taken to extremes, a political culture where "lean and mean" has become the ultimate virtue to attach to all policy decisions.

Mandates from those who are least informed about the specifics of a situation is doomed to failure. Outsourcing does have a role, but decision to outsource should be made on case by case basis by those most knowledgeable about the situation and by those who will be responsible for the outcome of such implementation. A key factor in consideration of whether to outsource or not should include the impact that the decision will have on the lives of long term, loyal, and dedicated low wage public employees.

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THE BUSINESS ASSOCIATION AS CATALYST IN A DEVELOPING COUNTRY

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ABSTRACT

This paper reports an exploratory study of the operations of a convenience sample of business associations in the Dominican Republic. Preliminary data was elicited from a convenience sample of thirteen associations in the capital in preparation for a conclusive population study. Data categories include growth, services offered , service problems, communication, and association demographics. A contingency model is suggested for the operation of the associations since they interface with two publics: members and external entities. Plans for a future population study are advanced for critique.

INTRODUCTION

The business associations is an ancient format for achieving synergy in the social, political, and economic arenas. Little is known about the nature of such associations in developing countries. Are they carbon copies of their counterparts in developed countries? Are they entirely unique? Do they have localized peculiarities?

The Dominican Republic has a mixed economy with widely fluctuating economic conditions. While governance is patterned largely after that of the United States, government there plays a much larger role in the economy(including a shrinking number of inefficient government-owned enterprises). There are numerous infrastructure problems and black-market firms are rampant. Business associations are not new to the country but neither are they as well entrenched as in developed countries. Government is one of the publics interfaced by associations instead of being an initiator and partner, as is sometimes the case in leftist-leaning states. It is upon this backdrop that the study of business associations has been initiated in order to create an overall picture of their contribution. The phase of the study treated in this paper is largely descriptive but there conclusions are drawn based upon data secured from interviews with the limited sample of association heads.

REVIEW OF LITERATURE

Consideration and discussion of business associations in developing countries is a relatively unexamined phenomenon in business literature(Masten, Miller, & Thach, 1999). It has long been known that by their nature, associations expand the boundaries of their constituents by offering corporate returns that exceed contributions(March & Simon, 1958). Business associations view

themselves as networks which have the potential for playing an integral role in vitalizing their members. They surely provide bridges for effective dialogue between constituents and various external environments.(Crandall, 1991) Since the firm thrives on creating economies, association with others of like or similar aims promises to produce the desired synergism in areas such as market, technology, and government. So strong is the magnetism of a productive association that even the fiercest competitors willingly bind together to engage external constraints and to feather the bed of their industry.

Austin(1988) suggests that trade associations can have a significant effect on growth, consumer prices and producer output while somewhat offsetting strong bureaucratic disfunction. In addition to such activities, associations in developed countries are known for their rich provision of information. For the firm in a developing country informational connection with the larger global economy is especially difficult and costly.   Transaction economics incorporates in its conceptualization the cost/benefit of information acquisition and dissemination. According to Demsetz(1988), operational information is crucially important but the costs of both obtaining and doing without it are indeed significant. He states that, "the vertical boundaries of the firm are determined by the economics of conservation of expenditures on knowledge"(161). Therefore, where associations exist and/or flourish it is reasonable to assume that the costs of association are outweighed to some degree by the benefits.

By applying organizational-behavior tenets from Daft(1995) and others it should be clear that there is a vital need for flexibility and adaptability on the part of associations, particularly in environments of rapid economic and technological change. While it is generally thought that organizations focus on long-range planning, *strategic incrementalism* may actually be closer to reality (Oster, 1990). Each association is faced with its own set of stress factors and resources resulting in a differential incremental strategy (Daly, 1991). Up-to-date flexibility and adaptability dictate a three-tier service/fee package in order to be as inclusive as possible. Under such a strategy, services would be packaged according to those needed by potential member segments and according to their ability and willingness to pay (Dineger, 1996). As with other types of organizations, associations aggregate their service activities into value chains as part of their differentiation strategies since in most environments there is some degree of competition for members. A differentiation strategy usually involves a unique service-offering package while attempting to perform such activities at low cost (Porter, 1985). The resulting service/fee mix of the association serves as a value marker for attracting, maintaining, and retaining membership.

Masten(1998) found in Ghana that older associations tended to be more bureaucratic and were losing membership whereas newer ones were actually gaining members. The growth was attributed to new member services which helped to increase exports, expand foreign markets, and improve production quality. Competition for members often drives the association to continually assess the effects of its services on the value activities of constituent firms. Staying abreast of these linkages provides the basis for maintaining an optimum service/fee mix (Petrick, 1991).

In their ground-breaking application of contingency theory to what they called *small scale business support agencies*, Gibb & Manu(1990) explored how design, organization, and service-delivery of such agencies should be effected. Their theory suggests that in order to be optimally effective there should be a relative congruence or *fit* between agency people, structure, and process and that of their clients. According to Gibb & Manu, success is dependent upon discovery of and

diligent compensation for discongruencies. They believe that system-wide integration activities will move the system toward a closer *fit* with the needs of its publics. Adapting this theory to association structures requires that the congruence requirement be somewhat refocused. There remains a distinct need for congruence between association and members; indeed, communication theory demands it. However, since the association is cast in the role of *bridge* between its constituents and external entities, it seems reasonable that at least some aspects of the association's people, structure, and process must be congruent with that of the external entities with which they are obliged to interact on behalf of their constituents.

STUDY

Data for this paper was obtained from in-depth interviews conducted with heads of thirteen business associations listed in the Santo Domingo Yellow Pages. Associations were selected on a strictly convenience basis since the objectives of the exploratory phase of the study were to: 1) obtain a sense of population size, 2) refine questions to be used in the conclusive census phase, and 3) gain practice administrating the questionnaire and recording responses in Spanish. Time and budget constraints prevented interviews outside the capital as well as a larger sample. However, a successful attempt was made to accomplish a varied sample with regard to association representation, size, and longevity.

The exploratory questionnaire was an adaptation of one used by Masten(1995) in a workshop study conducted in Ghana. The questions were constructed, ordered and later translated on-site with the help of a local translator and a small-business entrepreneur. General question categories included: Association Demographics, Growth, and Services Offered. Additional categories not utilized in this paper included Communications, and Service Problems. These will form the basis for future papers.

The survey instrument contained combinations of open-ended, dichotomous, multiple response, and ranking questions. Interview appointments were secured via telephone and interviews were conducted in the offices of association heads. Due to the cultural concept of time, only one interview was scheduled in the morning and one in the afternoon. The questionnaire was administered through personal interviews conducted by Miller with association heads and their responses were recorded in Spanish by a Dominican research assistant. Due to the mandatory social amenities and the length of the questionnaire, interviews averaged two hours. Time was reserved at the end of the research trip to work with the research assistant on translating the questionnaire responses into English. Tabulations and analysis were completed after returning to the States.

FINDINGS

The scope of representation and member classifications of the sample of business associations resulting from the convenience format may be described as follows:

SCOPE		MEMBERSHIP	
country-wide.............	3	manufacturers...........	3
multi-city.................	4	other producers........	2
2 major cities...........	2	service.....................	4
Santo Domingo........	4	retailers...................	3
		general....................	1

Of the three associations sampled that serve manufacturers, one represents constituents country-wide, another only in the central part of the country and the third in Santo Domingo. Two of these serve manufacturers generally and the other represents the footwear industry. Other producers include associations for the industries of pharmaceutical labs and sausage production. The service association industries were financial institutions, commercial banks, hotels/restaurants, and pawn shops. In this category the association representing the pawn shop industry is by far the largest with 1800 members, yet it has an average size budget which is funded entirely by membership dues/fees($45,000 U.S.). Associations of retail industries include those of the small pharmacies in Santo Domingo(63 members), pharmacies(1275 members), and hardware stores(350 members). The single general association has a varied constituency of exporters and boasts 200 members.

Size of the associations interviewed varied according to the tabulations below. The size-by-number-of-workers designations were determined by a previous study(Miller, 1993) of micro/small business support agencies in the country. a large budget disparity was discovered among the associations sampled. The smallest had an annual budget of only $20,833US whereas the two in the top category had budgets of $833,333 and $6,700,000. Some associations, however, have sources of income other than constituent dues/fees, which will be alluded to in the next set of tables.

SIZE/#WORKERS		SIZE/$BUDGET*	
small(2-4 emps.).......	3	$ 20,000- 35,000.....	5
medium(6-10 emps.).	6	$ 35,001-100,000.....	3
large(>10 emps.)......	4	$200,000-300,000.....	3
		$300,000 +................	2
		* U. S. dollars	

The small associations, as might be expected, also had the absolute smallest number of employees. This trend, however, does not continue throughout the medium and large categories. Two of the associations in the medium range(exporter industry and hotel/restaurant industry) had budgets larger than two large associations. This is probably explained by the fact that unlike their two larger counterparts they have other income which accounts for 25% and 40% of their budgets respectively.

The degree to which membership dues and fees contribute to association budgets is depicted below as well as association age. One of the associations in the largest budget

category($833,333U.S.) operates country-wide and 99% of this budget is derived from bulk buying and resale to its hardware-store constituents.

DUES AS a% OF BUDGET		DECADE FOUNDED	
90-100%.......	7	pre-'70s.........	3
60-89%.........	3	'70s........	7
21-59%.........	0	'80s........	3
1-20%...........	2	'90s........	0
no response...	1		

The oldest association interviewed represents pharmacies in the major cities and was founded in 1938. It is second only to the pawn shop association in members and has a roster of 1275 members. It claims to represent 80% of the industry which is the highest percentage of all subject associations. Its annual budget, however, is only $60,000 which, no doubt, plays a role in its value projection to industry firms. The other pre-'70s associations were both founded in 1962. These are the hotel/restaurant and the country-wide manufacturing industry associations, both with large annual budgets of $291,666(ten employees) and $208,333(eight employees) respectively. The country-wide manufacturing association reported 325 members whereas the hotel/restaurant association is comprised of 94 hotel and 45 restaurant firms. The three associations founded in the 1980s came about in the middle of the decade. They are the small Santo Domingo pharmacies association, the pharmaceutical labs association, and the financial institutions association with 63, 19, and 47 members respectively. The latter two associations have among the lowest annual budgets($20,833 and $33,333 U.S. respectively) and only two and six employees. Data from the small pharmacies association is suspect since it reported 24 employees and a budget of $6.7 million(U.S.) with seventy percent coming from the dues/fees of its 63 constituents mainly in Santo Domingo. In the next phase of research a better job will be done of discovering the exact extent and sources of other income.

Membership growth was a key variable investigated among the associations sampled. Eight of the thirteen associations reported growth yet only one of these(hotel/restaurant association) characterized its growth as extremely significant(the highest scale item in the multiple response question). Six others opted for the very significant growth category. The remaining association said that it growth was significant. Half of those reporting growth gave as the reason constituents' need for lobbying clout.

The pawn shop association reported serving sixty percent of its industry and the financial institutions association reported a ten percent membership rate. These were the only associations reporting a decline in membership and both characterized the decline as very significant. The remaining three associations(sausage production, commercial banks, and small pharmacies) all reported flat membership numbers. No reasons were elicited in this first stage of interviews.

With regard to association competition only three reported no competing associations. They(Sausage production, footwear manufacturing, and pawn shop associations) represent 85%,

80%, and 60% of industry firms respectively. Possibly the best competitor is the pharmacy association with 80% of industry as members since it reported two competing associations. Also the hotel/restaurant association deserves mention as a competitor with 80% industry membership despite one competitor.

Most of the associations represent industries comprised mainly of medium and large firms. Exceptions to this are the small pharmacies, pharmacy, and pawn shop associations which are comprised of 96%, 90%, and 70% micro and small firms. Two of the three have by far the largest membership rosters and number of employees, represent a majority of industry firms, yet have moderate budgets in the $45,000-$60,000(U.S.) range. Neither have sources of income other than member dues/fees.

The various constituent services were elicited via open-ended questions and those reported fit into three categories: 1) member efficiency 2) member competitiveness and 3) political. Most associations host a variety of meeting types to enhance member efficiency(i.e. workshops, seminars, conferences, lectures, etc.) Only the footwear manufacturing association mentioned exhibitions. Training was mentioned by only three of the associations within this category of services. No pattern was observed in the data to explain why these three(pharmaceutical labs, general manufacturing, and pawn shop associations) might offer training services. This issue will be pursued during the conclusive phase of the research.

Regarding services offered to enhance member competitiveness, again meetings was the most mentioned although by only four association executives. Other services offered were peculiar to the various associations.

As expected, the political service category elicited the view that government lobbying is a prime constituent service for the associations. Ten of the thirteen specifically mentioned this kind of activity as being a service of the association to aid members politically. One association did not respond to this category(hotel/restaurant association) and there seems to be no relationship between the two remaining associations not mentioning lobbying(pharmaceutical labs and pawn shops associations). In the conclusive study this variable will be probed. Also mentioned by multiple associations were advice/counsel and training for aiding constituents politically.

Following the open-ended questions regarding services offered, association executives were asked to rate nine common association services on a four-point scale according to importance and according to how well they think their associations perform these services. Overall the most important of the nine was political action followed closely by training. These were far ahead of the other seven services, considering all of the associations as a group. Technical consulting was held to be important to a majority of associations but only moderately so. Business consulting rated slightly lower but had the same level of support. Somewhat unexpectedly, provision of domestic and foreign data were not deemed to be important services by most of the associations, nor was member networking. Only two associations thought import aid and export aid to be important services. Not surprisingly these were the manufacturers and exporter industry associations; both having general membership. Respondents were asked to name other services and they responded with examples like group buying, social clubs, health insurance, legal counseling, fiscal counseling, legal projects, funeral fund, and accounting. These will be considered for inclusion as the final questionnaire is constructed.

It perhaps follows that since political action and training were rated as the most important, executive respondents thought that their associations performed these best. In fact regardless of the

importance of the service, the services offered tended to be rated either extremely well or very well. It is likely that ego involvement may bias this response. This needs to be dealt with more effectively in the final questionnaire or eliminated altogether.

Finally, respondents were asked to give the reasons for members joining the association and then allowed to rank their perception of the top three. The overwhelming response was that of representation/defense. Since this was an open-ended question, these two terms surfaced in somewhat equal numbers and are viewed by the authors as possibly having the same meaning. Probing could uncover if there are reasons for using each of these since they have somewhat different connotations. Services(including training) was a distant second in overall mention. Six respondents mentioned this service but predominantly as a number three ranking. Information was mentioned by only three respondents as a motive for membership and was given second and third rankings. Other motives were either unique to the association or the perspective of the individual respondent.

CONCLUSIONS

Business associations were found to be very similar to those in the United States, yet with their own minor peculiarities. As a result of the study an adaptation to Gibb & Manu's contingency theory approach is being suggested depicting the association in relation to its two publics: its constituents and external entities, such as government. Obviously the influence of culture is a pervasive influence upon the transformation process facing association management. Association people inputs must be constantly adapted for proper fit with those of both members and external entities. This means comparable age, sex, education, social class, interest, background, and experience. Association structure must also attempt to match those of members and external entities with regard to needs, focus, resources, operations, and rewards. And finally, the association process must conform to the processes of both members and external entities. These encompass motivations, orientations, managements, markets, and functions.

These requirements mean that the association must have a different face for each of its publics. This is a far more difficult task than that of what Gibb and Manu call *small-scale business support systems*. But if they are successful, the rewards are sizeable since communication and identification will be greatly enhanced. This probably means having separate staffs and two apparati for dealing with the two publics.

While this exploratory study is merely a tiny snapshot of the nature of a possibly unrepresentative sample of business associations in the capital of the Dominican Republic, it promises to serve as a helpful blueprint for the country-wide conclusive study. The sense of the researchers is that the Yellow Pages will serve as a practical roster of business associations. But, a referral approach will be utilized in the future as a backup since these publications may not reflect newly-formed associations and those not wishing to waste scarce resources on such advertising.

The preliminary questionnaire experience was extremely useful for refining future questions and questioning techniques. The practice of giving the respondent a physical representation of the rating scales for the various questions requiring one was most rewarding and was given credit for more accurate answers. The part of the questionnaire needing the most work is that of the financial aspects(i.e. budget-member dues/fees-other income). Many of the open-ended questions can be revised as multiple-response questions since there is now a sense of the specific terminologies used

by association principals. This will aid in tabulations, scaling, and analysis as well as in interview time saved. The interview format worked well as did the questionnaire length. While two hours may seem like a lot of time to take from the working day of a busy executive in the United States, it must be remembered that the visit of a researcher from the *first world* may be viewed as an honor in a developing country. Also, the rules of etiquette and the concept of time in Hispanic America both work in the researcher's favor. The schedule of one interview in the morning and another in the afternoon per interviewer will continue since it worked much better than in the more rushed schedule of the study of micro/small business support agencies.

An important addition to the conclusive study will be the inclusion of the perceptions of association performance by actual association members. This will add the dimension of a comparison between the perceptions of both parties. By performing a population study it can better be seen the extent to which the various industries in the country are binding together for mutual benefit via this age-old organizational format. Also the overall role of associations in the country will be clearer since in the exploratory phase a variety of concept variations seem to exist: political representation, social interaction, cooperative buying, a hedge against economic fluctuation, information, etc. Hopefully keys to growth will result from a look at the country-wide picture. This would greatly help some of the associations which do not seem to have a grasp of what variables are crucial to association viability. Since the other-sources-of-income variable will later be explored in greater depth, perhaps associations can learn from the results how not to be dependent solely upon their constituents' ability/willingness to pay dues and fees.

The social offerings of associations was an unexpected finding. The pawn shop association owns and operates a social club for its members much like an American Legion or VFW facility. Actually this was where the interview was conducted with ten of the twelve administrators present. The association of hardware stores head also mentioned a social club. Due to the social nature of the Hispanic culture, this dimension of association service will certainly be explored further in the next phase and such insights could be useful to those not holding a social orientation.

With political action and training being thought by association heads to be the leading service offerings, these will also be pursued in more depth and in turn compared to the perceptions of members.

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TOWARD AN UNDERSTANDING OF THE IMPORTANCE OF MEGALEADERS IN THE CREATION OF DOMINANT STRATEGIC LOGIC

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INTRODUCTION

The human mind has always taken a pleasure in being able to concretize solutions and actions vis-a-vis reoccurring problems and in being able to solve similar problems again. Cooks have **recipes**, which list the necessary ingredients, their amount and proportions. Doctors refer to manuals and use their knowledge when they write out **a prescription** for a patient. Philosophers of science talk about **paradigms**, which explicitly explain how to practice the science.

Business management and strategic thinking have their recipes, prescriptions and paradigms, as well. These instructions can be general and designed for all enterprises, such as the textbooks on strategic management, or they can be a set of unique directives, repeatedly applied in one particular enterprise. This article deals with one of the latter, an enterprise-specific strategy concept, **strategy logic**, which could be outlined as the dominating way in which the enterprise solves its strategic problems over a longer period of time.

As we know, the family of strategy concepts is rich and diverse. There are numerous schools of strategy, and depending on who classifies them, a different number can be found. There can be three (Chaffee, 1985, Sköldberg, 1992), five (Hart, 1992), six (Gilbert-Hartman-Mauriel-Freeman, 1988), seven (Näsi, 1987) or ten (Mintzberg, 1990, Karlöf, 1987) schools of thought. More specifically this means that each school of thought has some kind of central strategy concept of its own. The aforementioned list illustrates that depending on the category used, three to ten "independent" strategy concepts can be found, as well.

The actual strategy concept can be approached and interpreted from several points of view. For example, it can be seen as a plan, ploy, pattern, position, or perspective (Mintzberg, 1987). The dominating viewpoint is to see strategy as a plan and strategy making as a process of planning. The literature of this approach deals normally with corporate, business, and functional strategies (Hofer-Schendel, 1978) as well as with numerous concepts connected to strategy, such as creed, mission, goals, objectives, and policies (Steiner, 1968, Chang-Campo-Flores, 1980, Rowe-Mason-Dickel, 1982). This literature is normative by nature and explains how the enterprise should construct its strategy.

Our strategy logic is relative to the planning concept, a well-thought-out guideline for decision-making. It does not concentrate on the formal execution of the planning process but tries to perceive and list the unique ideas that represent the key principles in a particular enterprise.

Strategy logic viewed in this way may sometimes, of course, resemble a ploy. It can also be seen as a pattern in a stream of decisions, a kind of malleable phenomenon, which is caught in a

squeeze between forces and counter forces. In addition, this article likes to see strategy as a perspective, "a way to perceive the world", both as a conceptual and empirical phenomenon.

The strategy logic of an enterprise dictates what is to be done. Its nature remains relatively constant, although it changes and develops incrementally, piece by piece. It includes dominating ideas and principles according to which marketing/product decisions, acquisitions, mergers, divestments and investments are made. Strategy logic itself can work towards the substance as well as a metastrategy. "Cognitive structure", "logic of action", "culture", "ideology", "paradigm", and "recipe" could be the next-of-kin concepts to the strategy logic from various other sciences and approaches.

The purpose of this article is to develop and define the concept of strategy logic. We will construe and illustrate this concept through the strategic analysis of one individual company. The case analysis will allow us to pick the elements of our sample strategy logic. We will, therefore, develop our approach from the vantage point of management practice.

The data we have used is public information, consisting mainly of annual reports and magazine and newspaper articles of the company in question. The characteristics of the leader of the company have also been compiled on the basis of public material. Fortunately, the leader has enjoyed being in the public eye; he has given interviews and has not hesitated to present his opinions and views, and in general has liked making public appearances, all of which has helped our work. Since one of the writers (JL) used to work for this enterprise for a long time, we have had the above material in an assembled format. The exact list of the statements and interviews on and by the particular leader is enumerated in the reference section of this paper.

Why did we choose this enterprise and this leader as our target? Simply for two reasons: on the one hand, there is a great deal of material available on this company, and on the other hand, its strategic history follows repeatedly an "ideology"-type strategy logic. In the case we have chosen, the development of strategy logic is begun with an example of strong corporate culture and a powerful leadership personality.

We call this leader a megaleader. The megaleader concept refers to a top leader, for example a CEO or a President who is widely acknowledged as a strong and excellent leader. This kind of respect does not only exist in his or her own organization but also, or especially, in the society as a whole. Megaleaders are widely admired and perhaps also feared at times. Usually, however, we have an impression of a person who is a "larger than life" character.

A megaleader is like a megastar. His or her position is not questioned in the organization. The role and position are often based on, and to some extent, justified by the leader's personality and ownership.

Yet, the main justification comes usually from an excellent corporate performance. Excellence does not only mean good profits but also assertiveness toward a desirable direction, an ability to turn around, if necessary, and sometimes just act in the strategic decision maker(s) own way.

One more question remains to be considered. If the concept of strategy logic is one of the subconcepts of strategy, what is then our concept of strategy? Our strategy is "the plot of the company's actions, the string that pulls together the events" (Näsi, 1991). This definition is more or less like the definition of an outside observer. It is fairly neutral and consistent with the definitions of most schools of strategic thinking. In this case study, we are interested in both **the plot** which has **become the reality** through the actual strategic activity and **the logic** underlying this activity.

THE COMPANY AND THE LEADER

We have chosen Amer Group for our case. This company is a good and lively example of a portfolio player, which has diversified through an aggressive portfolio strategy into several lines of business and grown in less than two decades into one of the largest corporations in Finland. At the beginning of our "story", the corporation was the 117th on the list of the largest Finnish corporations, and at the end of the "story" it was the 17th largest corporation in the country.

The company was founded in 1949 by a small number of clubs and associations: the Finnish Technical Club, The Federation of Economists and the Student Federation of Helsinki School of Economics and Business Administration, among others. At that time the core of the company was a small tobacco factory.

In the course of years the activities of the company grew and diversified. In 1976, the corporate turnover was 206 million Finnish marks (FIM). More than half of the turnover came from the tobacco industry, 31 percent from the printing and publishing industry (Weilin+Göös), 10 percent from the sporting equipment industry (KOHO), 5 percent from shipbuilding, and 4 percent from flower gardens. The company was already back then considered a diversified enterprise.

The same year, the company decided to issue a large number of additional shares to elevate the share capital from 3 million to 16 million. At the same time the company also sought an official notification of its shares at the Helsinki Stock Exchange. As a result of these decisions, the company went public, its solvency increased, and new horizons were opened up for financing the intended growth. Behind this future growth was the actual lead star, the megaleader Heikki O. Salonen, "Mr. HOS", who at the beginning of our story had acted as the Managing Director for five years.

> *Mr. Salonen was born in 1933 and worked as the Managing Director of Amer Group from 1972 to 1986. He was the Chairman of the Board as well as the President and the CEO of Amer Group from 1986 to 1990. Prior to his employment at Amer, this M.Sc. graduate had worked as the Managing Director of Saastamoinen Corporation from 1968 to 1972. He is now retired.*
>
> *"My position is strong because I am strong."*

He is a man who has been referred to as being a workaholic, a powerhouse, original, strong, impulsive, a chain smoker and a lover of whiskey. He has been known to smoke three packs of Marlboro a day, to drink a double whiskey at lunch, and to prefer eating meat and potatoes with fat gravy to eating a salad. Bad habits have not scared him, however.

> *"The biggest stress comes from changing one's living habits by force. I have learned to keep unnecessary pressures at bay. Eating meat and potatoes has something to do with it. Life is constant risk taking. I could be knocked down by a car any day or be hit in the neck by an icicle in the winter".*

The relaxed Mr. Salonen has always been charismatic, and he has got along fine with the top brass as well as with the fools. He has told many stories about himself as well as laughed at himself.

> *"I think many people get along with me quite fine because I never try to be someone I am not. I don't need a cloak that goes with the role, it would be a terrible stress. I think it is crazy to talk about a specific leader type of the 1990's. There is no standard type for a leader. The only thing we have is that a leader should be himself. I know I would never have made it in politics although I get along with politicians. You see, I don't know how to sweet-talk anyone".*

Among his subordinates Mr. Salonen was known, however, as a hard and sometimes unpredictable and stubborn man. It was not a good idea to approach him on a bad day, for he knew how to give a real talking-to. His hardness may have been an indication of strong inner strength.

> *"I once returned from a long business trip with my son. He told me that I was quite a tough guy. There were so many others in the negotiations but you were alone. The others were nervous but you stayed relaxed and told them that you had thought about things your way".*
>
> *"Since I am a relatively strong character and impulsive at times, it may be that not everyone has the courage to discuss matters openly with me".*

Salonen has often said that business management is first and foremost a form of art. The leader needs good nerves, determination and a special outlook on things. He needs to be a generalist and not a super intelligent person who concentrates on one single area. The technique of leadership can be taught, but the technical ability alone is not enough, not at all.

> *"Intuition is necessary, not only mathematics. We usually learn the hard way. Mistakes should also be recorded. In a new situation, we know that we have learned from experience. In addition to intuition, I think, of course, about business philosophy and use it as a starting point".*

There were two different ways in which business ideas were generated in Salonen's corporation. In an effort to apply the scientific method to the development of these strategic ideas materials were collected systematically. Along with this "scientific" method, another method existed: the creative method.

> *"The information which is collected systematically gives a chance to apply it. Alongside it, business management calls for the same creative process as the work of an artist does".*

Heikki O. Salonen is known to be a keen reader of literature. He says he finds new material for his thinking in the novels he reads.

Mr. Salonen has always included the fact that a leader assumes power and responsibility in his leadership philosophy. During his time, the sharpest organization was shaped in such a way that he could be the Managing Director as well as the Chairman of the Board. In this sense, he actually controlled himself.

> *"I have made both right and wrong decisions. I have never bothered to "explain" what I do. Explanations are a sign of weakness. If you start writing replies to newspaper articles, the reader is still left with some kind of doubt".*

The company was always the number one in his life, "the adopted child", in the shadow of which, he is afraid, he has left his own, now grown-up children. He firmly reminded everyone that "this is my company" until the end of his leadership, although he did remember to lighten up his message inside the corporation.

> *"It is true that Amer Group has for a long time been personified too much around me, but it has only been the public image. This company is in such a good shape that even if I left, the corporation would remain standing".*

There are - at least - two reasons why Mr. HOS's era will remain in the Amer Group's history books. The first is the change: during his period Amer Group grew big. The second is the person - Mr. Salonen's ruling role during that time was unquestionable; he was a true megaleader.

The latter point is well illustrated by an episode, which took place towards the end of his reign. He gave up the role of the Managing Director but stayed as the Chairman of the Board. The new Managing Director, Olli Laiho, gave his first public interview on January 9th, 1990 and said the following, among other things:

> *"... the cause and effect between smoking and cancer has been clearly demonstrated".*

When Mr. Salonen heard about this later the same day, he gave his short public comment about this statement by saying:

> *"God damn".*

The next day the new Managing Director Olli Laiho publicly reversed his statement:

> *"It has not been proven that tobacco causes these effects. The statistical connection, which I meant, is not the same as the causal connection".*

THE FOUR STRATEGIC PHASES OF AMER GROUP

Withdrawal from Tobacco 1977-1981 (sales 242-611 million FIM)

The decision to issue additional shares was precipitated by a desire to push for a strong development of the corporation. Since the tobacco industry did not indicate a marked growth potential, it became natural for the corporation to decide to expand into other lines of business. The

main goal continued to be the same: to decrease the share of the tobacco industry of the corporation's total sales.

The first step in carrying out the new strategy was the formation of a marketing unit, Golden Leaf, which concentrated on small-scale wholesale trade. Additionally, the purchase of units of Valistus Publishing as well as the school textbook unit from another publisher, Tammi, strengthened the corporation's publishing operations. The emphasis on school textbook publishing was logical, for Weilin+Göös had already been involved in textbook publishing with its Ekonomia-series dominating the management textbook market in Finland.

At this time the corporation's portfolio was fairly diversified. The most important strategic move in the expansion to a new area of paper wholesale trade was the purchase of Hyppölä Ltd. in 1979. The same year the corporation's sporting goods industry widened its horizons and established the American KOHO Sporting Goods Corporation, an ice hockey equipment manufacturer in the U.S. The corporate portfolio was also streamlined by several sales: The freight ship M/S Finn-Amer and the retail of flowers. Furthermore in 1979, Amer decided to sell off the mail-order business (NOVAMER) and the hospital equipment marketing business (TOKAMER). The decision to cut off the corporation's hospital equipment product development was also taken at this time. This decision indicated the trend, which later became the dominating principle of Amer Group, to prefer concentration in marketing to that in technology. One of the reasons for this decision was that despite the efforts put into product development the results were not remarkable, at least not in terms of marketing.

The operational goal to decrease the share of tobacco industry was reached, for tobacco products constituted only one third of the corporate sales. During this period the corporation also made a decision to engage in systematic development of investments by tying a portion of the corporate capital to real estate and to other financial schemes which were considered safe investments.

The expansion to other lines of business made the corporation grow substantially. In four years the corporate sales grew by 152 percent. Amer Group climbed to the 89th position on the list of the largest enterprises in Finland.

Despite the rapid growth, the corporate return of financial solvency was not weakened, on the contrary. The stability was not only maintained by increasing the corporate returns but also by the issuance of additional shares twice and the sale of M/S Finn-Amer. Above all, the tobacco industry continued to be responsible for the improved returns by increasing its market share. Weilin+Göös also continued to improve its profitability. Discarding the unprofitable units of flower retail and hospital equipment product development helped improve the results.

Units	Share of Sales	
	1977	1981
Amer-Tobacco	51.5%	33.6%
Marketing unit	4.7%	11.1%
Publishing and printing	28.6%	24.9%
Sporting goods industry	9.9%	13.5%
Ship ownership	4.5%	0.6%
Paper wholesale	-	16.3%
Sales-millions	242	611
Net return-millions	7	41
Degree of self-sufficiency	20%	31%

Money makers: tobacco industry, publishing and printing
Money losers: product development

Preparation for Growth 1981-1984 (sales 611-875 million FIM)

The years from 1981 to 1984 can be considered the time of preparation. The operations were concentrated on the existing areas. Neither large purchases nor any divestments were carried out during this period.

The corporate business portfolio did not, however, remain unchanged. At the end of 1981, Amer Group bought Helsingin Paperiteollisuus Oy, a pulp and paper wholesale, to strengthen the paper processing and wholesale trade operations. Additionally, the corporation established Amer Institute to provide training services and Amer Brokers to market its sales capacity both within and outside Amer Group. In fact, Amer Brokers was in the business of selling hired sales force to its customers. In addition, one foreign business operation was made through the establishment of Danish Fionia Plant Export A/S commercial garden. This operation expanded Amer Group's flower business (cultivation and import) considerably, although Amer had discarded the flower retail earlier.

The corporation grew evenly and retained its profitability fairly comfortably. Earnings resulted from the tobacco industry, communications, paper processing, and wholesale trade. The good returns also improved the corporation's financial solvency, risk-taking ability and eagerness. The issuance of additional shares in 1982 as well as in 1983 contributed to the financial solvency. At the end of 1984, Amer Group made the next big move. It purchased Korpivaara Ltd., a family enterprise, which was nearly three times larger than Amer, measured in total sales. Korpivaara imported Toyota and Citroën cars into Finland. The purchase was not only financed by a cash payment but also by issuing additional shares to the Korpivaara family. Along with the purchase, the corporation took on small-scale plastics and metal production units, which formed their own operational group.

Units	Share of Sales	
	1981	1984
Amer-Tobacco	33.6%	34.8%
Marketing unit	11.1%	10.0%
Communications Industry	24.9%	18.6%
Sporting goods industry	13.5%	16.2%
Paper wholesale	16.3%	20.4%
Sales-millions	611	875
Net return-millions	41	79
Degree of self-sufficiency	31%	42%

Money makers: tobacco industry, paper wholesale, communications
Money losers: sporting goods, marketing units

Domestic Supercorporation 1985-1989 (sales 2,483-5,831 million FIM)

The purchase of Korpivaara Ltd. catapulted Amer Group into "the billion club". The purchase of a large car importer made the corporation structurally similar to what it had been a decade earlier. One line of business constituted well over a half of the total sales, only tobacco was now replaced by cars.

At this point in time the corporation had a single major goal: the corporation needed to stabilize its largest business unit position. The corporation came to the conclusion that the dependency on cars needed to be reduced systematically. However, the desire or the ability, for that matter, to make a purchase in another operational area did not surface immediately for the corporation. The only expansion Amer Group made was the purchase of Marimekko from the children of the founder, Armi Ratia, in 1985. This brought the Group into fashion clothing, as well. The total sales of Marimekko were only within two percentage points from those of Amer, but the deal certainly improved the former's image. The purchase was also an obvious way for Amer Group to communicate its desire to continue to concentrate in brand name products.

The growth prospects of paper wholesale or sporting goods industry in the domestic markets did not appear very promising, international growth was seen as the only viable option. Amer had worked together with Philip Morris for a long time, and the corporation had been involved in the production of sporting equipment in North America. Therefore, the expansion to North America seemed very logical. In 1986 Amer bought a golf equipment company from the golf champion Jack Nicklaus. This meant switching from the hockey stick to the golf club, for the unprofitable KOHO was sold the same year. Ice hockey equipment markets were no longer seen as an area of growth the way the market for golf equipment was. The paper operation group, which had yielded good results in Finland, was strengthened internationally with the 1987 purchase of Hobart/McIntosh Paper Company in the United States. The plastics operations were supplemented by a Danish company Rias S/A.

The purchases of these North American companies signified a true internationalization of Amer Group. Amer had always been an international enterprise given that it had represented international brand name products for a long time. For the first time the corporation was now involved in large-scale operations in foreign markets. In 1985 the share of foreign accounts of the corporation's total sales had been 10 percent, whereas in 1989 it was as high as 26 percent. Internationalization and the brand name product strategy were further emphasized with the 1987 purchase of TIME/System International, a Danish company whose main product, Time-System, is an internationally used time management system.

Even though Amer concentrated its efforts in other operational areas, Korpivaara's share of the total sales showed no sign of decrease. The reason was simply Korpivaara's unbelievable success. 1985 marked the beginning of the fiercest growth in car sales nationwide. The growing markets alone would have elevated Korpivaara's returns considerably. Furthermore, as Korpivaara managed to increase its share in the expanding car market, the money kept pouring in.

The purchase of Korpivaara was undoubtedly one of the most successful deals in the entire history of Finnish corporate life. During this time the corporation continued to operate it three main lines of business vehicle importation and sales, tobacco and the paper wholesale trade. Both had now been elevated into operational areas of their own. This move emphasized the role of investments in Amer's "corporate bodybuilding" strategy by consciously strengthening the company's risk-taking ability. The preconditions for a new and large corporate commerce had been established.

Amer had already made two good deals in purchasing Hyppölä and Korpivaara. The prevailing thinking in the corporation, and with reason, was that Amer was particularly good not only in marketing but also in corporate takeovers. Even the unprofitable Marimekko was not yet acknowledged as a mistake, at least not publicly anyway. The desire to purchase another big company was directed at **a)** a truly large corporation due to the size of Amer, **b)** a foreign company because of the limited size of the Finnish market, and **c)** a brand name product company to match Amer's corporate strategy. It was obvious that the main goal remained to be to reduce the share of car sales of the total sales.

The North American sporting equipment giant, Wilson Sporting Goods Corporation, fit the bill in terms of the three criteria. Wilson was not profitable but had good brand name products and operated in the growing markets for tennis and golf equipment. It was no wonder that Mr. Salonen's Amer ended up choosing Wilson among various alternatives and bought the company at an exorbitant price of 840 million FIM in 1989. Another 50 million was spent in the purchase of the Dutch Van Stolke & Reese wholesale paper company in an attempt to strengthen the paper group.

As a conclusion it can be said that the purchase of Korpivaara and the North American wholesale paper companies elevated Amer to the 20th position among the large-scale Finnish enterprises. These previous purchases had made the structurally significant purchase of Wilson possible, which shifted the corporation's focus not only to North America but also to manufacturing operations. By 1989 Amer Corporation had become the 14th largest enterprise in Finland.

Units	Share of Sales	
	1985	1989
Amer-Tobacco	12.0%	8.0%
Marketing unit	4.0%	1.0%
Communications Industry	10.0%	6.0%
Sporting goods industry	4.0%	5.0%
Paper wholesale	7.0%	21.0%
Korpivaara	57.0%	49.0%
Metal Industry	2.0%	1.0%
Plastics Industry	1.0%	3.0%
Marimekko	3.0%	1.0%
Investments	-	5.0%
Sales-millions	2,483	5,831
Net return-millions	129	249
Degree of self-sufficiency	38%	47%

Money makers: Korpivaara, paper wholesale, tobacco industry
Money losers: sporting goods, Marimekko, marketing units, metal industry

Digestion and Stumbling 1990-? (sales 8,181 - FIM)

The purchase of Wilson fundamentally changed the structure of Amer Group. The share of foreign accounts rose to almost a half with the simultaneous rise of the manufacturing portion of operations. Even more significant than these structural changes was the change in the share of the unprofitable operations of the Amer portfolio. Amer had always had business units that yielded fair or unprofitable results, but their share had always been minimal. The profitable operations had compensated substantially for the losses and had clearly maintained the concern's profitability. The purchase of the unprofitable Wilson elevated the share of losses to new heights at once. The share of operational groups, the returns of which were fair or unprofitable, was 5.3 percent in 1988, whereas that share after the purchase of Wilson rose to as high as 38.5 percent. It became evident that the company needed to streamline its operations by selling the plastics industry and the marketing units. Their share of the sales was only two percent at that time.

The rise in the share of worrisome operations had not been a surprise after all. Amer had purchased the large and unprofitable Wilson consciously. Salonen's comments on the purchase refer to three lines of thinking. First, Wilson showed positive signs in the growing markets; by improving the company's effectiveness, it could have been made profitable. Second, it was thought that Amer Group would survive the economic stress caused by the overhauling of Wilson because Korpivaara was doing extremely well. Third, the business environment obviously expected Amer to make a large-scale acquisition. As said, these expectations were exacerbated with statements made by Heikki O. Salonen in various occasions. Thus, there was 'pressure' to make some sort of a move.

These postulations were not accurate, however. The growth of car sales came to an abrupt halt in 1990 and car sales continued to decline. The economic downturn in North America slowed down the market for sporting goods. All of a sudden, Wilson was in deeper trouble than had been anticipated. The Korpivaara goldmine did not churn out profits any more. The recession in the money and real estate markets undermined the Group's investment operations, which especially had been created to sustain the corporation in recessionary times. To crown everything, Marimekko managed to lose heftily with minimal returns, which seemed to plague the entire company. For the first time during its history on the stock market, the financial statement of Amer Corporation showed losses. The income statement of the corporation showed a loss of 102 million FIM. Taking into account income transfers, the result improved but still showed a loss of 60 million. The health of Heikki O. Salonen, President and CEO of Amer, began to suffer; he had been alarmed by a heart condition twice. On February 28, 1991, Mr. Salonen retired and was replaced by the new Managing Director, Olli Laiho.

Mr. Laiho was not, however, made the President and CEO or the Chairman of the Board. Heikki O. Salonen had had both of these roles in the past. The President's function was discontinued, and another member of the Board, Reino Taivalkoski, was elected as the Chairman. Olli Laiho made his goal to return the corporation's profitability and efficiency by improving internal effectiveness and by introducing various savings programs. The losses of Marimekko would no longer be tolerated; in the fall of 1991 Marimekko was sold for an obviously small price to Ms. Kirsti Paakkanen, the former owner of Womena advertizing agency. Selling Marimekko, the corporation divested of one of its unprofitable units. This sale seemed to communicate a new approach and a new and less dramatic style in leadership and organizational culture.

Units	Share of Sales		
	1989	1990	1991
Amer-Tobacco	8.0%	7.0%	7.0%
Marketing unit	1.0%	1.0%	-
Communications Industry	6.0%	4.0%	5.0%
Sporting goods industry	5.0%	29.0%	30.0%
Paper wholesale	21.0%	20.0%	22.0%
Korpivaara	49.0%	35.0%	33.0%
Metal Industry	1.0%	1.0%	-
Plastics Industry	3.0%	1.0%	-
Marimekko	1.0%	1.0%	2.0%
Investments	5.0%	1.0%	1.0%
Sales-millions	5,831	8,181	7,584
Net return-millions	249	90	-60
Degree of self-sufficiency	47%	30%	32%

Money makers: tobacco industry, communications industry
Money losers: sporting goods, Marimekko, investments, discontinued operational groups

OUTLINE OF AMER GROUP'S STRATEGY LOGIC

The expertise exhibited by these strategic moves was largely the creation of one man, Heikki. O. Salonen. The strategy followed by Amer Group was therefore the strategy of Mr. Salonen. He was not only a strong personality but he had also prepared the formal framework for the use of authority. He was the President and CEO, but above all, he regarded himself as the Chairman of the Board. His strong position was obviously strengthened by the fact that he was the only professional member of the Board, since the rest of the members represented the owners of the Group.

> *"Then **I** bought KOHO..."*
> *"Then **I** bought the garden..."*

A typical feature of this kind of strategy is the desire to grow through corporate takeovers. Boldness and quick moves are also characteristics of Amer Group as much as they are the unquestionable character traits of Heikki O. Salonen. Partly it has also been a question of consciously building a corporate and leadership image.

> *"I didn't even know KOHO's Managing Director when I phoned him. We then met on Saturday in the Motti tavern and made the deal..."*

Although Amer has looked for opportunities to grow, it has also attempted to keep the risks in line with the corporation's ability to carry risks. The Group has always wanted to keep such companies in its portfolio, which have guaranteed a steady and secure cash flow. Therefore, the dominating main thread has always been using portfolio stakes at an acceptable level of risk-taking. The time from 1977 to 1989 signifies a serene time period for Amer Group, when its ship sailed clearly forward, boldly and successfully. We will now turn to examine the element of the strategy logic in this period.

End of the distribution chain. Amer Group always concentrated its operations in the end of the distribution chain and tried to be close to the consumer without focusing on the actual retail sale.

> *"The principle of corporate takeovers is twofold. First, the company must have a link with our specialty which is consumer... and consumer brand name products..."*

Brand name products. The Group concentrated on brand name products in the consumer market. As far as production goods are concerned, they were also certain kind of "brand name products" in their own category, at least in terms of their sizeable share of the markets.

> *"We are a brand name enterprise..."*

<u>Strong growth through takeovers</u>. "Standing still will kill us" seems to have been a driving principle of this corporation. Amer established many of its units itself, but the actual leaps always took place through takeovers. Initially, the main emphasis was placed on the purchase of profitable businesses. Every now and then there were small deviations from this principle, and finally on a larger scale with the purchase of Wilson.

> *"Either the corporation grows or it starts wilting..."*
> *"The second precondition is that the business must grow..."*

<u>Focus first on domestic markets, then towards internationalization</u>. The initial operations were set up in Finland. Finally, Amer expanded strongly toward internationalization. Even with this change, the corporation tried operations in areas, in which it had strong experience and ability in the domestic markets.

> *"The third important factor is that we do not anymore concentrate on Finland because the markets are small and it is difficult to get out of here..."*
> *"But the precondition for buying a foreign company is that we have a considerable amount of similar operations at home..."*

<u>Diversification</u>. Amer Group is a good example of a lively portfolio player who experiments with all types of product combinations. As we noticed, the Group consciously sought out independent units for its portfolio.

> *"The starting point is that we do not venture into a line of business which we already have..."*
> *"I have spent a great deal of time philosophizing with Philip Morris about the problems of diversification. But we started first..."*

<u>A balanced portfolio</u>. A guiding principle seems to have been that just one line of business should not dominate the group excessively. The risks had to be maintained in a sensible relation to the Group's risk-taking ability. Included in the idea of a balanced portfolio are not only the ability and the willingness to start or buy new companies but also the ability and the willingness to divest and to get rid of them. This characteristic has been obvious and consciously deliberated in the Group's operations.

> *"The starting point of portfolio is... The second precondition is... The third factor is..."*

<u>Strong financial position</u>. Amer has been a peculiar enterprise in the sense that it has operated for years in a good financial position. This status is not solely the result of the strategy of issuing additional shares but above all the result of an exceptionally large cash flow. The strong cash base has made it possible to make the giant leaps in growth.

"A controlled risk-taking ability has continued to grow..."

There have been a large number of various events in the life of Amer Group. Units have been established, bought, sold, and terminated. An interesting additional comment should be made about the fact that the corporation wanted and was able to get rid of the units which, for one reason or another, did not fit the portfolio. This feature might be an additional sign of the capability to form a strategy, which was suitable for the time period. The most decisive changes have, however, always occurred "in large dosages". Amer has grown by leaps, which in turn required a certain and particular financial base.

Throughout the history of the Group, the tobacco industry had given a secure base for expansion. It had enabled the expansion experiments into the most diverse lines of business, starting from peat moss production and ending with hospital electronics. The first big leap took place in 1979 when Amer bought the paper wholesale company Hyppölä Ltd. This purchase added another fundamentally secure operation in addition to the tobacco industry to create a new foundation for expansion.

With the help of this solid foundation, the corporation later dared and was capable of buying Korpivaara. The purchase of Korpivaara fitted beautifully into Amer's line of operations. It was a large deal in a new line of business, which also sold brand name products and was at the end of the distribution chain. Korpivaara quickly became a money making venture, just as the tobacco industry and paper wholesale trade had been earlier. The purchase created a strong starting point for the next expansionary move.

When the decision to buy Korpivaara was made, the total sales of the core business units, which formed the Group's solid foundation, was around 500 million FIM. With the help of this foundation, the Group dared to buy Korpivaara, the total sales of which were 1.4 billion or almost three times the amount of the foundation. The corporation now owned strong cash flow businesses for a total of 1.9 billion FIM. Consequently, aggressive company purchases were not surprising. The Group's risk-taking ability was very good and was strengthened consciously with the development of investments. In 1989 the solid foundation had grown to 4.5 billion FIM.

One might even think the corporation did not take full advantage of the growth potential it had at its disposal. The cash flow was so strong that it could have financed a purchase of a truly large and profitable business. However, Amer chose to buy Wilson Sporting Goods Corporation.

The growth and risk-taking of Amer Group was not only financed by strong cash flows but also by active issuance of additional shares. From 1977 to 1989 the Group raised its share capital 13 times, on the average once a year. Raising share capital made risk-taking possible; it also allowed the corporation to play with higher stakes because of the exceptionally strong cash base. The share of cash, not financing capital, in the 1976 income statement was only 0.3 percent. In 1977 and 1980, the share rose to an average of 1.2 percent, in 1980-1985 to 4.0 percent, and in 1981-1990 to as high as 14.2 percent. However, in the 1991 financial statement the share of cash had dropped to 2.8 percent.

All in all, this type of financing was extremely important in the design of the strategy logic. If we consider the various foundations of the Group, financing can be assigned its own role, if not quite a division within the corporation, at least a strategic function.

DISCUSSION

Let us now tentatively define the concept of strategy logic. We say that **strategy logic of a firm comprehends a set of core elements in harmony or coordination, steering the whole firm towards survival and success. Strategy logic is subjective logic representing the thinking of the key person(s) in the firm. Strategy logic may include both a metalogic, thus showing the method and framework to create a strategy, and a substance logic, actually deciding what will be done in the firm. Strategy logic may be described in a number various ways from different sources: directly in documents of the firm or in discussions with the key persons, or it can be an interpreted result of a case study**, for example.

The term logic is here borrowed from Gilbert-Hartman-Mauriel-Freeman (1988): **"Think of a logic as simply a line of argument that is shaped around several basic ideas or principles."**

When discussing this kind of additions to the family of strategy terminology, a reader must be arguing that, in fact, the writers are not the first ones to outline this kind of concept. There are indeed several related concepts, which more or less refer to the same idea.

The first relative is naturally the concept of "**grand strategy**". Is it not the same as strategy logic? The answer is "yes" and "no", "perhaps" but "not necessarily"! The answer is doubtful because the grand strategy concept is obscure and can be defined in different ways.

On the one hand, we can follow Quinn (1980). He outlines the main concept of "grand strategy" and the subconcept which he calls "battle strategy". In illustrating "grand strategy", he tells the story of the actions of Philip I and Alexander I at Chaeronea (in 338 BC). He finds 26 key points in the grand strategy of these two heroes, which is definitely too many in terms of our strategy logic. Even though Quinn's example is descriptive and not normative in terms of its validity, its substance is not permanent but more like a short-term project.

On the other hand, "grand strategy" is mentioned in a typical textbook on strategic management (e.g., Smith-Arnold-Bizzel, 1988). Here "grand strategy" is a normative planning tool, put together through a certain procedure.

The strategy logic idea resembles the umbrella concept. Since both **strategic umbrella** (Karlöf, 1987) and **umbrella strategy** (Mintzberg, 1988) are found in the literature, it is appropriate to make a few clarifying comparisons.

Strategic umbrella is an overall concept or a framework for business development (Karlöf, 1987). It includes a choice of strategic alternatives, at the first level of which are organic growth and diversification. The former is divided into subalternatives: vitalization of existing principal business, segmentation and differentiations, and expanded application of corporate mission. Diversification again is divided into the technology push and unrelated diversification subconcepts.

As such Karlöf's concept is a map of limited choices, not a combination of the dominating events of realized principles taken from a reality - whatever reality - as strategy logic is. Karlöf's idea is different and the concept is narrower.

Umbrella strategy again can be defined as follows (Mintzberg, 1988):

> *"Umbrella strategy: a leadership in partial control of organizational actions defines strategies as targets or boundaries within which others must act (for example, that all new products be high priced and at the technological cutting edge, although what these actual products are to be is left to emerge); as a result, strategies are partly deliberate (the boundaries) and partly emergent (the patterns within them); this strategy can also be called deliberately emergent, in that the leadership purposefully allows others the flexibility to maneuver and form patterns within the boundaries."*

It is easy to see that Mintzberg's concept can be the same as strategy logic, but not necessarily. First and foremost, Mintzberg's concept is not normative but descriptive. However, Mintzberg does not emphasize the dual role possibility of his concept, his umbrella strategy is one among many. Our strategy logic idea is dualistic - it is both a metastrategic concept at the higher level and a substance strategy in reality.

Without presenting the related concepts from psychology nor from leadership studies, it seems necessary to discuss the relationship of strategy logic to the contents of the "paradigm" and "recipe" since they are so common in today's strategy literature.

The concept of **recipe** appears both in the context of an industry (Grinyer-Spender, 1979) and an individual enterprise (Johnson-Scholes, 1988). It is primarily used in the context of industry levels. Although it is close to our concept in terms of its usage and definition ("the set of beliefs and assumptions held relatively commonly at an industry" or "the form of managers' views of how to succeed in their business environments"), a "recipe" still remains by definition a tool to describe something that is beyond the enterprise.

Paradigm is a fashionable concept taken from the philosophy of science (see Näsi-Giallourakis, 1991). Johnson (1992), who discarded the recipe concept at the enterprise level defined paradigm to be included among the strategy concepts as follows:

> *"A paradigm is a core set of beliefs and assumptions which fashion an organizations's view of itself and its environment".*

Our strategy logic concept could be imaged as a kind of core of Johnson's paradigm. In Johnson's terminology, the paradigm is more an overall concept and comes close to culture or at least it overlaps with several subconcepts of culture, such as stories, myths, symbols, rituals, routines, power structures, etc.

As our conceptual analysis shows, a strategy logic might have an independent role and task in the family of strategy concepts - at least if it is seen in relation to the set of concepts such as the "grand strategy", "strategic umbrella", "umbrella strategy", "recipe" and the "paradigm".

What is important above all, is that the strategy logic concept can be found by doing research. This research does not explain what is right, best or even good but it describes how and what happened, in other words, it makes the strategic world more understandable.

In this case study we examined a rather short history of a Finnish enterprise. This period in history showed clearly identifiable strategy logic. The logic we found was not only tied to the enterprise but also to its powerful leader in this period. This powerful character, the megaleader, and the strategy logic were to a great extent one and the same.

Through this case study we do not mean to claim that a logic could not be found in collective leadership and teamwork situations. We only showed that in the case of a megaleader - with his reign continuing for a longer period of time - the emergence and use of strategy logic seems like a logical and rational discovery. This sort of case makes it also easier to find and define. Collective strategy-making and game-playing events between individuals make it more complex and awkward to handle from a researcher's perspective.

From the point of view of strategic thinking, our analysis amounted to a qualitative study of one example. If the material were expanded and the methodology were diversified and if the basic concepts were developed more in terms of leadership studies and psychology, it would be possible to give our ideas a much deeper and more accurate foundation. This way we would get closer to examining what strategic work really is and what the leaders actually do.

Editors' Note: Figures are available from the authors.

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USING INCREMENTALISM TO COMPLETE COMPLEX TASKS: THEORETICAL UNDERPINNINGS AND PRACTICAL APPLICATION

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ABSTRACT

It has been said that "A journey of a thousand miles begins with a single step." Using conceptual and research support from areas such as perception, job design, and goal setting, this manuscript outlines an approach to task completion called "incrementalism." The author proposes that certain complex tasks usually conceived of as requiring blocks of time for effective completion are in fact amenable to incremental treatment. This approach is applicable in a variety of settings noted in the paper.

INTRODUCTION

Many occupations involve completing some number of complex tasks. The term complex task is intended to mean a task which takes at least several hours to complete and requires multiple skills. When planning time to work on complex tasks, there is an inherent inclination for most people to think in terms of "blocks" of time. We tend to visualize multi-hour sessions during which we make continual progress toward task completion. Consequently, it becomes difficult to conceive of working on such tasks in smaller increments. This can set up or lead to three negative results, which will be discussed in turn below.

WHY ARE COMPLEX TASKS PROBLEMATIC?

First, many people simply do not have blocks of time obvious in their schedules. Consider the following examples. Managers typically are actively dealing with a wide variety of issues and problems which demand their attention. Time that can be devoted to complex tasks, when it does appear available, is often interrupted when least expected. Academicians balance competing needs for time to spend preparing for and teaching classes, performing service activities, and doing research. Homemakers, particularly those caring for young children or elderly parents often have few blocks of time without interruptions. These scenarios are representative of the situations in which many people find themselves.

Second, we may use blocks of time intended for other purposes to work on our complex tasks. It is not just the so-called "workaholic" who spends time that should be devoted to family on work-related tasks. Often this is the only time that looks like it can be used to tackle a complex task. Similarly, reactive coping (Hall, 1972) may include using time normally devoted to sleep to work on these tasks.

A third possible outcome is that we might squander many smaller time periods because we fail to realize that they may be applied to complex task completion. As a result, we often feel as if we spend time on "busy work," or trivial tasks, at the expense of more complicated ones.

Taken together, the above situations mean that we may make little or no progress toward completing the complex tasks necessary to our effective job performance or to our feelings of self esteem. There are abundant examples of situations wherein this is true. Referring back to our previous scenarios, we see managers who are always fighting fires, and not developing programs to tackle problem situations. Many homemakers feel as if day-to-day problems consume all their time, preventing any focus on projects such as thorough "spring cleaning." And numerous academicians bemoan the fact that they just don't have those blocks of time necessary to do research and write for publication.

MAKING THE TASK BEHAVE

If we look at these situations closely, the common problem is that the time is not behaving, i.e., it is not conveniently presenting itself in large chunks for us to plan its application to our complex tasks. But suppose we look at the task differently, and make it behave instead. When we think about these various complex tasks, we tend to view the task as a whole. In a manner of speaking, it becomes difficult to see the trees for the forest. But that is exactly what we must do -- we must develop the ability to partition a single complex task into a larger number of simple (or at least less complex) increments. Then we can allocate smaller periods of time to accomplish the increments, and eventually the entire complex task will be completed. This means of accomplishing complex tasks is what we will call incrementalism.

Rationale for applying incrementalism can be found in a variety of areas. Of these, the two which are perhaps the most fundamental have their origins in the area of perception. Complex tasks left undone conflict with two perceptual needs. The first is simply the need for closure, i.e., the need to have things completed. Second, feeling that it is important to complete the complex tasks, coupled with the fact that the tasks are not completed, results in cognitive dissonance. Thus, there is motivation to find a way to complete these tasks. Additionally, work in the areas of both job design (e.g., Hackman & Oldham, 1980) and goal setting (e.g., Locke & Latham, 1990) point to knowledge of results as important in sustaining effort toward completing a task. When applying incrementalism, one has built-in feedback (or knowledge of results) as to the progress made toward the complex task. Finally, when working with a number of incremental tasks, it is often easier to assign time more efficiently, so that one's most effective work times get used for the most important or demanding activities.

It is, of course, not possible to prescribe a means to implement incrementalism which will apply universally. Those familiar with a task, however, should be able to do so once they direct their efforts in that direction. Moreover, there tends to be a learning curve effect -- finding and defining these increments becomes much easier once one is accustomed to doing so.

CONCLUSION

Incrementalism has many potential applications. In addition to the examples described above, managers may be able to use this approach to increase productivity among their employees, thereby enhancing organizational performance. Future research should focus on defining circumstances amenable to applying incrementalism, developing specific suggestions for breaking complex tasks into increments, as well as identifying situations in which it may not work as well.

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A FEEDBACK APPROACH TO POSITIONING
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ABSTRACT

"Positioning is the spearhead in strategic thinking"
Nieuws Tribune

The speed of change is accelerating, leading to greater complexity and added turbulence and discontinuity in the business environment.   Although some conventional principles of positioning may still contribute to an understanding of the positioning dilemma, the positioning paradigm can no longer follow a model of strategic fit. This paper suggests a dynamic approach to positioning based on interrelated and interactive positive feedback loops, complex interrelationships, complex learning and continuous challenging of the positioning paradigm.

INTRODUCTION

The concept of positioning dates back to the late 1960s and early 1970s, when it was popularised by Ries and Trout in a series of articles referred to as the "positioning era" (Kotler, 1984: 273). Statements such as "in an era of cut-throat ... competition, few if any, strategic responses are more critical ... than positioning" (Berry, 1982: 45) and "an effective positioning strategy is ... critical to the accomplishment of the firm's marketing and business objectives" (Wind, 1990: 387) show that there has never been any doubt about the role positioning plays in an organiSation's success. In fact, in the 25 years since its inception in the late 1960s the concept of positioning was mentioned 16 917 times just in American publications! (Trout & Rivkin, 1996: ix).

Prior to the mid 1990s a major proportion of Western managers followed the management paradigm of strategic fit, emphasising the search for advantages that are inherently sustainable and minimise risk (Hamel & Prahalad, 1989: 65). This approach had a close link with equating success with consensus, consistency, uniformity and order, as well as with identifying a goal, learning about conditions, setting a plan, and then carefully following the plan with controls in place to minimise errors in its implementation (Stacey, 1996: xix; Miller, 1993: xv).

However, accelerated change and the rate of environmental turbulence and discontinuity experienced nowadays by organisations world-wide are eroding successful strategies of the past. Organisations are also bombarded by the implications of interdependent networks of interrelationships and feedback processes in the environment. As organisations increasingly have to battle to find competitive positions in the market, they can no longer disregard the above realities and need to incorporate them into their management paradigms. This paper illustrates how it can be done.

METHODOLOGY

Qualitative research, particularly in terms of historical research and the case study method, served as the framework for the research. The historical research process allowed conventional and contemporary thought on management and positioning to be critically analySed. Conclusions were drawn on the basis of which relevant aspects could be related to the organiSation of the future. In-depth interviews with representatives of the five leading groups of South African clothing retailers and analysis of their company documentation enhanced the historical research.

WHY A RE-ASSESSMENT OF POSITIONING?

A scrutiny of literature reveals an array of differing interpretations of the concepts position and positioning. These interpretations are best grouped into product and/or market positioning (Ries & Trout, 1981; Kotler & Armstrong, 1994;   Knee & Walters, 1985) which can be viewed from a psychological (Kotler, 1997; DiMingo, 1988) as well as from a market perspective (Dunne, Lusche & Gable, 1995; Berry, 1982; Wind, 1990; Cravens, 1994; Levy & Weitz, 1992).

Positioning is often approached on either the operative, instrumental level (Kotler & Armstrong, 1994; Mercer, 1992; Levy & Weitz, 1992; Davidson, Sweeney & Stampfl, 1984), or on the strategic decision level (Rigger, 1995; Van Biljon, 1991; Wind, 1990; Lovelock, 1984). Irrespective of the approach, a number of variables regularly feature in positioning research literature. These cornerstones are segmentation (Jobber, 1995), differentiation (Porter, 1985), competitor analysis (Aaker & Shansby, 1982), customer analysis (Day & Wensley, 1988), internal analysis (Rigger, 1995) and systems analysis (Mühlbacher, Dreher and Gabriel-Ritter, 1994).

These approaches may still contribute to an understanding of the positioning dilemma and may even still be an option in some cases, but in a business environment of accelerated change, greater complexity and added discontinuity, organisations are forced to effectively cope with uncertainty and risk. They can therefore no longer merely search for advantages that are inherently stable and minimise risk, but have to be flexible, innovative and creative.

Furthermore, in an attempt to manipulate their external environments with policies and strategies, organisations produce effects, which other groupings do not like and will attempt to manipulate. The result is an escalating cycle of feedback, actions and interactions. The resulting feedback can be positive or negative. An organisation's actions are controlled by some form of *negative feedback* when, on comparing the outcomes of its past actions to desired outcomes and discovering a discrepancy between the two, the organisation simply amends its future actions so as to reduce the discrepancy until it disappears. Negative feedback has a dampening effect and leads to a state of stable equilibrium. It hence results in simple learning where organisations learn from the consequences of past actions and, without questioning the paradigm driving the action, simply amend subsequent actions.

However, when the discrepancy between past actions and desired outcomes leads to a questioning of the paradigm and its underlying assumptions, *positive feedback* occurs (Stacey, 1996: 65). The questioning may result in the amendment of the paradigm and subsequent amendment in action. There is thus a double loop in which the actions as well as the paradigm driving the actions

are amended. The result is complex learning which is essentially destabilising and revolutionary, but at the same time necessary for innovation and creativity.

It seems reasonable to argue that, should the contemporary organisation wish to effectively cope with positioning amidst the effects of change, uncertainty, feedback and environmental interdependence, positive feedback and complex learning need to be incorporated into its thinking about positioning. A contemporary approach to positioning based on feedback, interaction and interdependence is therefore proposed.

A DYNAMIC APPROACH TO POSITIONING

Figure 1 shows a simplified illustration of the proposed dynamic approach to positioning. Fundamental to this approach is the notion of circular feedback processes and mutual, nonlinear interactions. For explanation purposes it is presumed that the process starts at point A with the discovery by the organisation of the consequences following the actions of others. These actions may, inter alia, be the result of the positioning efforts of the organisation influencing the decision-making processes of consumers. These actions may also be affected by consumers' needs, expectations, experiences and relationships with the organisation and its members. Based on its discovery (point A), the organisation now has to choose (point B) among alternative courses of action in exercising the positioning process (point C). Its response is once more fed back to the stakeholders in the environment, who will again go through the process of choosing how to react to the consequences of the organisation's actions. Circular feedback loops are thus formed.

FIGURE 1: A DYNAMIC POSITIONING APPROACH
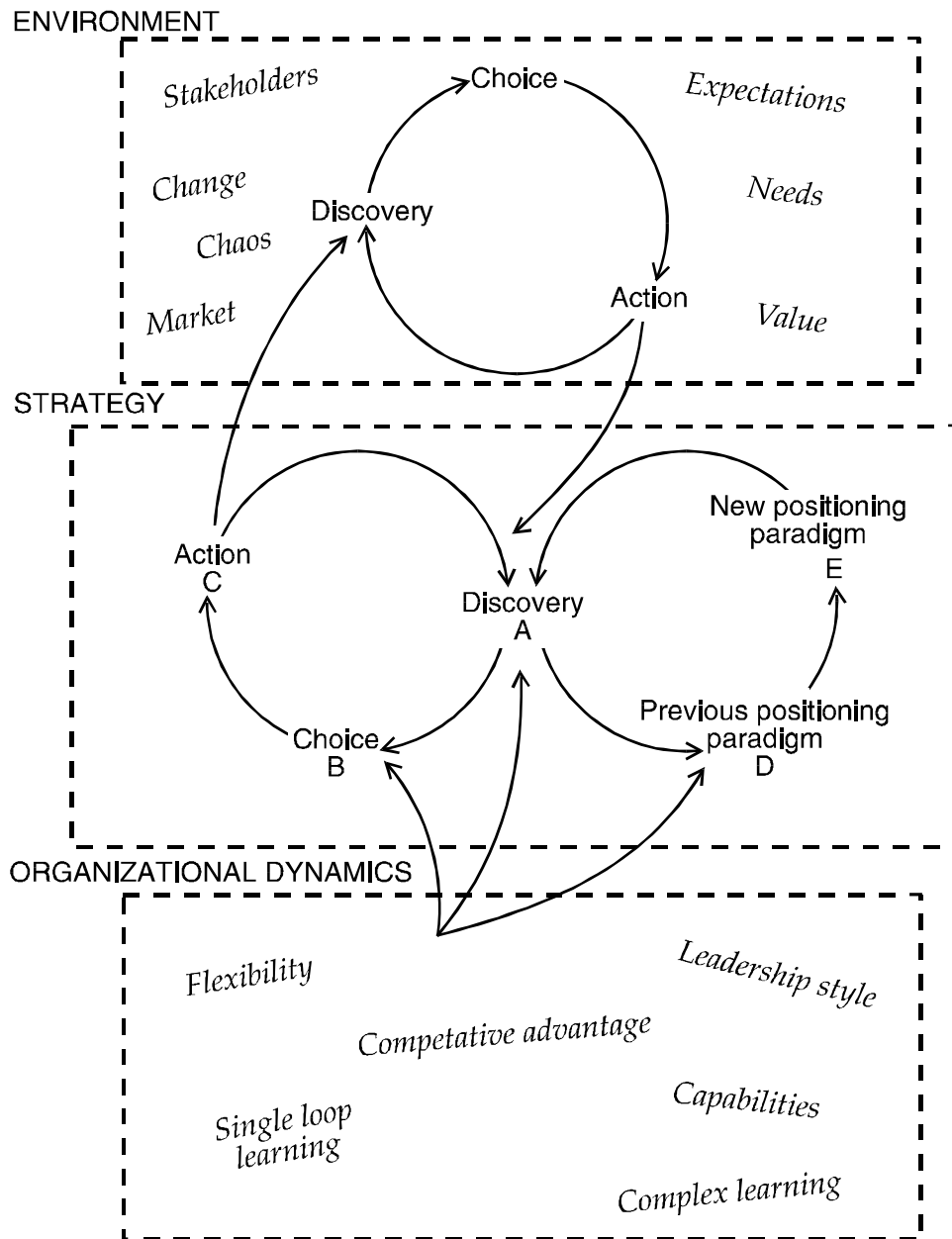
In choosing how to act, the organisation may prefer to simply amend its future actions according to the consequences of past actions and not question the positioning paradigm: in other words, attempt to move to a state of equilibrium. If this is the case, simple learning occurs (loop ABC). Alternatively, when discrepancies between the past actions of the organisation and desired

outcomes lead to the questioning and the subsequent amendment of the positioning paradigm and its underlying assumptions, loop ADE is formed. Positive feedback hence results in complex learning.

Another important interaction loop between the organisation and the market environment as shown in Figure 1 particularly concerns the stakeholders. A stakeholder is any individual or entity whose actions affect, or are affected by, the actions of the organisation. Because of these mutual interactions, each stakeholder has a stake in what the organisation does, and vice versa. Stakeholders (also called interest groups) are thus the claimants who depend on the organisation for the realisation of some of their goals, while the organisation, in turn, depends on stakeholders for the full realisation of its own mission and goals (Rowe, Mason, Dickle, Mann & Mockler 1994: 132; Wilson Gilligan & Pearson 1992: 19; Thompson, 1993: 130).

It is generally understood that in increasingly dynamic and competitive markets the organisations that are most likely to succeed are those that take notice of stakeholders' expectations, wants and needs and gear themselves to satisfying these better than their competitors do. Loyal relationships are increasingly dependent upon how a company is perceived to create "added value" beyond the commercial transaction (Wheeler & Sillanpää, 1997: ix). Effectively addressing stakeholders' needs and expectations, however, requires a constant interaction with the environment.

It is thus imperative that the feedback interaction between the organisation and its stakeholders forms an integral part of the positioning process and that this interaction is continuously monitored.

The efficiency with which an organisation handles the processes discussed so far, greatly depends on its organisational dynamics. Should it subscribe to flexible organisational structures, participative leadership and empowerment of employees, the scene is set for the organisation to develop into a learning entity. Flexibility furthermore enables the organisation to better cope with the increased level of complexity and uncertainty and to take full advantage of the changing environment. This may often be the key to identifying opportunities that others might not see and to exploiting these opportunities rapidly and fully. In order to generate extraordinary value for stakeholders, an organisation therefore has to learn better than its competitors and apply that knowledge throughout its business faster and more widely than competitors do.

Competitive advantage plays a pivotal role in the competitiveness of the organisation and often also in positioning. A differential advantage is often referred to as the organisation's strengths or distinctive competencies relative to competition, and can be created through cost leadership or through differentiation (Porter, 1980).

Successful competitive advantages, however, invariably attract imitators who want to share in the success and respond by copying and even trying to improve the advantage (Reimann, 1989: 39).   It can be expected that the larger and more profitable the advantage, the greater will be the efforts of competitors to copy it. Williams (1992: 29) argues that "time, the denominator of economic value, eventually renders nearly all advantages obsolete". Williams's theory is clearly illustrated by developments in the competitive advantage paradigm. In the 1960s a strong emphasis was placed on technology development as a source of competitive advantage. The 1970s added an emphasis on cost control and quality assurance, employing the dimensions of inspection, measurement of results, statistical analysis and process improvement. During the 1980s the emphasis moved to total quality management (TQM) and its dimensions of employee empowerment, team accountability, customer-focus and speed (Miller, 1993: 18). In the late 1990s even good value for money,

acceptable service levels and technology seem to have turned into competitive necessities. The stage may have been reached where organisational dynamics is the focus of competitive advantage.

Figure 1 shows an interdependence between strategy formulation and organisational dynamics, competitive advantage and the like. All these have an influence on the organisation's approach to positioning. Should it attempt to do so from the perspective of strategic fit and adjustment of its strategy accordingly, it is likely to still operate within a system which finds competitive advantages that can be sustained over a long period of time and thus minimise risk. However, if it is assumed that the organisation of the future is a living organism that moves with time, it should endorse flexibility and complex learning and continuously challenge the paradigm driving the positioning process.

CONCLUSIONS

The proposed dynamic approach to positioning the organisation of the next millennium broadens the conventional beliefs in competitive advantage and positioning to include the notions of feedback loops, double-loop complex learning, and a shifting organisational paradigm. Positioning is hence viewed as all those actions of the organisation which might have a bearing on the perceptions, decision-making and satisfaction of its stakeholders, as well as on the relationships between them.

Following a dynamic approach to positioning will enable the organisation to incorporate change, uncertainty, interdependence and interrelations into the positioning process. It also allows the organisation to challenge its current positioning paradigm. Such an action, however, requires vibrant organisational dynamics characterised by creativity, innovation, flexible organisational structures, participative leadership, positive feedback and complex learning.

Based on the research reported in this paper it is expected that organisations which in the next millennium still adhere to a model of strategic fit and approach the positioning process accordingly, may in future be less competitive than their counterparts which follow a dynamic approach. Further research is, however, required to *quantify* the long-term effect of the proposed contemporary approach on the profitability of the organisation.

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