Allied Academies International Conference

Las Vegas, Nevada
October 12-15, 1999

Academy of Strategic and Organizational Leadership

Proceedings

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Volume 4, Number 2 1999

Proceedings of the Academy of Strategic and Organizational Leadership

October 12-15, 1999
Las Vegas, Nevada

Jo Ann and Jim Carland
Co-Editors
Western Carolina University

The Proceedings of the
Academy of Strategic and Organizational Leadership
are published by the
Allied Academies, Inc., PO Box 2689, Cullowhee, NC, 28723.

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Proceedings of the Academy of Strategic and Organizational Leadership

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THE ROLE OF A POST-HEROIC LEADER IN DRIVING A CHANGE EFFORT INITIATED IN RESPONSE TO STAKEHOLDER PERCEPTION

Kit Brooks, University of Arkansas
cabrooks@comp.uark.edu

ABSTRACT

Stakeholders have long been considered by the private sector to be valuable resources for improving organizational effectiveness. Stakeholder preferences influence product design and development within many organizations. Business and industry have a rich history of targeting various stakeholders when conducting marketing research. While the literature suggests that assessing stakeholder perception and preferences can be a powerful tool for organizational planning, organizations in the public sector have not typically used the methodology to plan for change.

This qualitative research used single case study design to examine one department within a public institution of higher education that used customer feedback to plan for and manage organizational change. This research focused on the types of chance that was influence by customer feedback.

The results of this case study indicated that organizational change was influenced by customer feedback. The customer feedback influenced three types of change within the research site. The three types of organizational change that the data indicated were influenced by customer feedback included : (a) structural change, (b) procedural change, and (c) changes with customer relationships. While organizational change was influenced by customer feedback, this research found that organizational leadership and organizational climate were influential in the organization's ability to respond to change.

In summary, the assessment of stakeholders' perception may influence organizational change. However, the ability of the organization to internalize change is influenced by leadership and its climate.

LEARNING ORGANIZATIONS: PANACEA OR PARTIAL ANSWER?

Thomas M. Box, Pittsburg State University
tbox@pittstate.edu
Todd A. West, Minot Air Force Base
twest@ndak.net
Larry R. Watts, Stephen F. Austin State University
lwatts@sfasu.edu
Michelle L. Whisman, Pittsburg State University
mlwhisma@hotmail.com

ABSTRACT

It has been argued that an effective coping mechanism, indeed a strategy, for addressing the uncertainties of the new century is for businesses to become learning organizations; however, it is not entirely clear that becoming a learning organization guarantees or even correlates with successful performance in the marketplace. Thus, there are three purposes for this paper. First, we will attempt to define a "learning" organization. Second we will address the behavior, practices and tactics of learning organizations and how some of these learning attributes may distinguish learning organizations from other type of organizations. Third we will attempt to answer the question posed in the title of this paper, "Is becoming a learning organization a panacea or a partial response to the demands of the 21st century?

E-COMMERCE ATTITUDES AND TECHNOLOGY INVOLVEMENT: ORGANIZATIONAL PERSPECTIVES

Kellye Jones, University of Texas San Antonio
kjones@utsa.edu

ABSTRACT

Information technology (IT) has a positive effect on small businesses. The diffusion of IT has been associated with increased productivity and efficiency, firm growth, and reduced costs. Implementing IT is critical for small business owners given the potentially positive impact it can have on operations and firm performance. One type of technology that is becoming more prominent is electronic commerce and small business owners are developing strategies to diffuse this technology in their firms. For these owners, strategic planning includes examining organizational member attitudes that are held with respect to this technology. Using sociotechnical systems theory as a foundation, the pre-adoption attitudes toward e-commerce held by owners, managers, and employees of small business organizations is explored.

INTRODUCTION

Information technology (IT) has become increasingly prominent in the business milieu. Studies indicate that IT has a positive effect on small business (Julien, 1995; Schafer, 1995). The diffusion of technology has been associated with increased productivity and efficiency, firm growth, and reduced costs (Cooper & Zmud, 1990; Doukidis, Smithson, Lybereas, 1994). Implementing IT is particularly salient for small business owners given the potentially positive effect on operations and firm performance (Julien, 1995; Schafer, 1995; Thong & Yap, 1995).

Electronic commerce (e-commerce) is one type of technology that has become prominent in the business environment. Studies indicate that e-commerce has the ability to increase business growth and better meet customer needs (Julien & Raymond, 1994; Thong & Yap, 1995). Leibs (1999) reports that business owners indicate that e-commerce represents a majority of their near term revenue growth and that e-commerce is important to the firm's strategic initiatives.

While there are many benefits associated with IT in general and e-commerce specifically, small business owners have to assess and analyze how e-commerce technology may influence their firm's operations. Given a limited resource base from which to draw, it is important for small business owners to thoroughly assess their environment prior to committing resources to IT initiatives (Ramamurthy, 1995). Given the reported saliency of e-commerce, many small business owners are developing strategies and plans for the diffusion of this technology in their firms. Part of this strategic planning process involves examining pre adoption attitudes that are held with respect to the technology.

While studies have examined the stages of the technology innovation diffusion process (Cale & Ericksen, 1994, Cooper & Zmud, 1990) few studies have examined the determinants of attitude prior to and post-adoption (Melone, 1990). Empirically, limited attention has been placed on the temporal process of IT diffusion at the individual adopter level when investigating end user attitudes (Karahanna, Straub, & Chervany, 1999).

In the absence of a rich body of literature examining the IT diffusion process within the small business context, this study examines the initial stages of diffusion when introducing e-commerce technology. To increase the knowledge base with regard to the organizational and technological factors that influence pre adoption attitudes associated with the diffusion of IT, perspectives held by owners, managers, and end users are presented.

LITERATURE REVIEW

FACTORS AFFECTING IT IMPLEMENTATION

Winston and Dologite (1999) delineate a model that identifies factors that influence IT implementation in small businesses. Owners and end users are among the key components to the model. Owners are crucial to the model primarily since these individuals have a vision for their firms and they are responsible for developing and articulating the firm's strategy. The model indicates that knowledge, strategy, and involvement are specific elements that influence IT implementation.

Chen and Small (1994) report that an IT knowledgeable owner is more involved in the diffusion process and the combination of firm knowledge and IT awareness enables the owner to assess the implementation process and take corrective action as needed. This awareness positively influences the diffusion process (Chen, 1993). Owners develop strategic goals for the firm and part of this process entails assessing and developing IT initiatives (Julien & Raymond, 1994).

End user experience and involvement also affect the IT implementation process in small businesses. Chen (1993) reports that computer knowledge and a user's diffusion experience impacts satisfaction with the new IT. Lai (1994) reports that end users with computer experience will be less susceptible to difficulties during the implementation process. End users having a positive IT diffusion experience will be inclined to have a positive experience when other IT processes are introduced within the firm (El Sawy, 1985

ATTITUDES AND IT

Small businesses are becoming more technologically advanced. Owners, senior managers, as well as end users are increasingly IT savvy. This enhanced knowledge base and proficiency with IT may be due in part to attitudes toward computers and technology. Clark (1992) reports that managers hold positive attitudes toward computers. In their investigation of end user attitudes Currid (1992) and Rifkin (1991) surmise that these individuals hold positive attitudes towards computers as well.

Studies suggest, however, that employee reaction to the diffusion of new technology may vary based on position in the organizational hierarchy (Rice & Aydin, 1991). In their investigation of attitudes toward the introduction of robotic technology, Chao and Kozlowski (1986) report differences among skilled trades, semi-skilled, and line employees.

Another factor affecting employee attitudes toward IT is the process of implementation. Black and Trippi (1990) assert that managers may resist new technology implementation when the initiative is poorly planned. In the absence of communication from senior executives and, without the opportunity to participate in the IT initiative, end users report anxieties such as fear of job loss and skill obsolescence (Cunningham, Farquharson, & Hull, 1991).

THEORETICAL UNDERPINNINGS AND RESEARCH QUESTIONS

The pivotal theme of the sociotechnical systems (STS) approach (Burrell & Morgan, 1979) is to "make work more satisfying for the person doing it while at the same time enabling this person to contribute to a higher level of technical and organizational efficiency" (Mumford, 1983, p.77). This approach aims at examining organizational tasks through the combination of social, technical, and organizational factors.

Various factors influence the IT diffusion process. Thong and Yap (1995) assert that the owners' disposition and competencies influence the incorporation of IT. As such, elements such as owner knowledge, strategy, and involvement may potentially impact the diffusion process when introducing new technology. Employee experience and involvement with technology also impact IT implementation (Chen, 1993). Position in the organizational hierarchy has been associated with affecting attitudes toward IT (Rice & Aydin, 1991). Hence, the literature suggests that owner and employee related factors associated with IT implementation and one's position in the organizational hierarchy have the capacity to influence attitudes toward new technology such as e-commerce.

Given the previously discussed factors, following are research questions designed to examine the nature of the relationships.

What is the relationship between technology involvement and attitudes toward e-commerce?

Are there differences in technology involvement based on position in the organizational hierarchy?

Are there differences in attitudes toward e-commerce based on position in the organizational hierarchy?

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THE FAILURE OF ICEVERK: RUSSIAN FRAUD OR CROSS-CULTURAL ILLITERACY?

Charles A. Rarick, Barry University
Inge Nickerson, Barry University

ABSTRACT

In 1992 Ben and Jerry's began a joint venture in Russia named Iceverk to manufacturer and sell ice cream in that country. The idea developed in 1988 when Ben Cohen (co-founder of Ben and Jerry's) visited the Russian republic of Karelia, which was the Sister State of Vermont, and decided that international peace could be promoted through a cooperative business venture.

Iceverk developed a manufacturing and distribution capacity in Russia that included eight retail outlets. Iceverk sold some of its regular products such as Rainforest Crunch along with products unique to Russia such as a vodka-laced ice cream called White Russian. Although Iceverk experienced some initial success, by 1997 the joint venture had come to an end. Ben and Jerry's left Russia leaving behind all retail outlets, manufacturing facilities and its equity interests.

Some have proposed that Ben and Jerry's, with its strong ethical and social orientation did not survive in the Russian marketplace. It has been proposed that "Vermont's Finest met Russia's Worst" and that Ben and Jerry's corporate culture clashed with the Russian way of doing business.

This paper proposes that although these problems did arise, a more fundamental problem experienced by the joint venture was the lack of cross-cultural understanding on the part of the Ben and Jerry's management team. Although Ben and Jerry's entered into the partnership with good intentions, the venture was handicapped by a lack of understanding of the complexities of doing business internationally. The paper addresses issues such as expatriate selection and training, employee motivation, and partner selection and management. The paper provides evidence, which shows that Ben, and Jerry's was unprepared for the cultural environment of Russia and that they made major mistakes. In addition, recommendations will be provided which could have increased the cross-cultural understanding of both partners and perhaps made Iceverk a success.

SATISFACTION WITH MY SUPERVISOR AND ORGANIZATIONAL COMMITMENT: AN EMPIRICAL EXAMINATION

I. E. Jernigan, III, University of North Carolina at Charlotte
ejernigan@email.uncc.edu
Joyce M. Beggs, University of North Carolina at Charlotte
jbeggs@email.uncc.edu
Gerald E. Calvasina, University of North Carolina at Charlotte
gecalvas@email.uncc.edu

ABSTRACT

Organizational commitment has long been accepted in the research literature as a predictor of several types of employee behavior and attitudes. For example, a low level of commitment is often considered a predictor of turnover, and a high level of commitment is positively associated with a high level of organizational citizenship behavior, job satisfaction, and work performance. An extensive body of research examines the nature of organizational commitment. Several factors are identified as important to the development of organizational commitment that are more positive from the organization's point of view. For example, the degree to which one's experiences in an organization reflect one's prior expectations has been associated with the development of more positive forms of organizational commitment. The purpose of this paper is to report the results of a study that examined employees' satisfaction with their supervisor as a predictor of organizational commitment.

The Satisfaction With My Supervisor Scale (Scarpello and Vandenberg, 1987) was used to collect data from employees concerning their satisfaction with their immediate supervisor. The Satisfaction With My Supervisor Scale is an 18-item questionnaire that addresses three categories of skills associated with effective supervision: technical, human relations, and administrative. The employees' organizational commitment was gauged using the Organizational Commitment Scale (Penley and Gould, 1988). The Organizational Commitment Scale is a 15-item questionnaire that addresses three forms or types of organizational commitment attitudes: moral, calculative, and alienative. For this study, it was hypothesized that employees who expressed a highly positive sense of satisfaction with their supervisor would express a sense of moral commitment to their organization. Moderately satisfied employees were expected to express a sense of calculative commitment, and dissatisfied employees would express a sense of alienative commitment to their organization. The impact of demographic factors on both employees' satisfaction with their supervisors and organizational commitment is also examined. Implications for managers are also suggested and discussed.

EXPLORING COMMITMENT IN DIFFERENT CONTEXTS OF CHANGE: FINDINGS FROM A STUDY ON DOWNSIZING AND QUALITY IMPROVEMENT

Anna-Maija Lämsä, University of Jyväskylä
lamsa@tase.jyu.fi
Taina Savolainen, University of Oulu
taina.savolainen@oulu.fi

ABSTRACT

This paper explores the nature of managerial commitment by focusing on two different types of organizational changes, namely downsizing and quality improvement. These changes have permeated in organizations since the eighties and they ultimately share the same business goal; they aim to enhancing competitiveness. Our research has background in two main assumptions. First, commitment has become an element of the dynamics of business strategy and change (Ghewamat 1991), and second, managerial commitment processes are not well understood although managerial commitment is commonly stressed in the organizational change literature. The literature seems to be quite consistent on the argument that the role of managers is a critical factor for the effective and successful change management (see e.g. Kotter 1996). This paper draws mainly on the literature on commitment. Findings from empirical, qualitative case study are classified in two types of commitment. Empirical findings call into question the general assumption that managers are committed professionals dedicating themselves to company goals and to large-scale changes. This case study reveals that managerial commitment to change is a complex construct. Commitment is a dynamic and multi-faceted concept rather than an either or phenomenon. The behavioral consequences of commitment may be different depending on several organization- and manager-related factors. Commitment seems to be contextual and it is shaped by dynamics specific to certain cultural and social settings.

INTRODUCTION

Although there currently is a growing knowledge base of major organizational transformations such as downsizing and TQM in the organizational and management literature (e.g. Cameron 1994; Deming 1989; Juran and Gryna 1988; Tomasko 1990) research on the commitment processes of managers to these kind of changes seems to be rare. In the literature, a position-bound managerial commitment to change is an assumption which has not been called into question. It is assumed that managers are loyal professionals dedicating themselves to the company's goals. As researchers have paid less attention to how managers occupy roles on different levels, more systematic knowledge is needed about this issue. Research is needed, in particular, to increase the understanding of the nature of managerial commitment in the context of change. We believe that the context of change is fruitful for exploring the topic and discovering new aspects of this phenomenon. As under conditions of complexity and uncertainty traditional beliefs may be inadequate, the context of a large-scale change may, therefore, reveal new insights into the topic. In this paper, we explore the nature of managerial commitment to organizational change, and the factors affecting commitment formation.

This paper is based on the Finnish case studies that elicit from practical actors the ways in which they describe and understand the issues. The paper proceeds to refining and clarifying the concepts and building theory. Case studies are exploratory in nature and, therefore useful in establishing theoretical conceptualizations from the ground upwards.

THEORETICAL BACKGROUND

Our theoretical framework is mainly based on the literature on commitment. According to Meyer and Allen (1997: 8), the meaning of commitment have two different directions. The first involves efforts to describe that the nature of commitment that defines the relationship between an individual and some object can vary. The second involves attempts to distinguish among the objects to which an individual becomes committed.

Mowday et al. (1982) report that there is no agreement on the nature of commitment among researchers. Rather, they tend to ascribe their own meanings to the term. In addition, such concepts as loyalty, allegiance, engagement and attachment are often used as synonyms of the term. Meyer and Allen (1997, also Allen and Meyer 1990) suggest that commitment consists of three main elements: affective, continuance, and normative. Affective commitment means an individual's emotional attachment to and identification with an object. Continuance commitment refers to an awareness of the costs related to leaving an organization. Normative commitment is a feeling of obligation to continue employment. Porter et al. (1974) suggest that an individual's identification with an object is characterized by three factors: a strong belief in the organization's goals, a willingness to exert considerable effort on behalf of the organization and a desire to maintain organizational membership. The objects to which an individual becomes committed can differ. When we think that someone is committed, we typically think that she/he is committed to something. For example, we can focus on commitment to the organization, the job, the task, the career, the profession and so on. The literature of organizational behavior emphasizes the commitment to the organization. However, Reichers (1985) argues that organizations comprise different constituencies, each with its own targets and values. Commitment can be best understood as a collection of multiply commitments. Consequently, conflict may exist among an individual's commitments, and individuals may have different objects of commitments. There is no consensus about the definition of commitment, but many writers would probably agree on the following idea: commitment reflects the "psychological bond" that ties an individual to an object but that the nature of the bond can vary (cf. Meyer and Allen 1997).

In this paper, our interest is in the nature of commitment: the relationship or the "psychological bond" between a manager and a large-scale organizational change. Commitment research is largely focused on the quantitative measurement of commitment. Consequently, individuals are easily understood as objects that are caused to behave or react by forces acting on them. In this paper, both approaches are combined, and managerial commitment is explored by data gathering on managers' own perceptions of their beliefs and actions concerning commitment. Instead of understanding a manager as a "reactive object", we are interested in the ways in which managers view their attitudes and behavior.

METHOD

The research method of data-gathering is through taped, in-depth interviews. There are 24 interviews of top and middle managers. All interviews are transcribed. The managers represent different business branches: several industrial branches in Finland, as well as services such as bank, hotel and restaurant. The interview material was made sense by us in the following way. We went in details through the material and separated from it instances which had relevant meanings from the commitment perspective (Stake 1995: 75). The instances were named conceptually and listed. This listing was further grouped into more general and abstract core themes. This process was repeated, and finally the material became condensed and formed into more conceptual (Lämsä 1998; Savolainen 1997; 1994.) We present the empirical findings in two conceptual types of commitment as a result of our interpretation.

EMPIRICAL FINDINGS

We have classified the nature of managerial commitment to change in two types: reward-based and trust-based commitment. Both types and factors affecting the formation of both of these types of commitment formation are highlighted very shortly below.

Reward-based commitment refers to the advantages which managers believe they can gain by committing. For example, a statement of a manager in a downsizing company highlights this as follows: "This is a well-paid task, I have a family and everything, but if a fairy godmother would come and say to me that there is a possibility to become a member of a small company…there is a small team and … Anyway, if somebody would pay me five thousand more, I would leave". Reward-based commitment arises from the principle of personal utilities. The main idea is that managers commit to change because they think it is important for themselves personally. The estimated advantages associated with participating are higher compared to the losses. Consequently, the perspective to the commitment is that of an actor her-/himself: commitment to change is reflected through one's own personality. This refers also to instrumentality. In other words, the interests of a firm are important because through them some personal benefits can be achieved. If a manager is not committed to change there is always a risk that benefits may be lost. The "psychological bond" that ties a manager to organizational change is the intent to gain personal benefits. Managers largely think the relationship in a calculative way, and rational prediction seems to be an important part of it. Commitment is like "a commodity". It occurs when attitudes and behavior are adopted to gain specific rewards personally, and the possibility to gain rewards requires one's own charge.

The factors which underlie the reward-based commitment formation are the following: economic advantages, status and social benefits, and interesting content of a task. They can be materially, socially or psychologically rewarding. If managers evaluate that they need some of the factors and the situation of a change satisfies the need, they seem to prefer committing to change to quitting. Consequently, by trying to control the factors an organization may influence upon this type of commitment in practice.

Trust-based commitment refers to the perspective of other than self in commitment formation. The following statement of a top manager from the company undergoing the process of quality improvement highlights this as follows: "It is top management's duty to be responsible for the success and survival of a firm … without committing to change this company would loose her competitive ability and, as a consequence, our people would not have work anymore". Instead of the intent to gain personal benefits, trust-based commitment is created through emotional and value-laden bonds between a manager and an object, i.e. the organization. The idea is that managers commit to change because they think it is valuable and emotionally important as such. It is conceivable that the elements of emotionality and morality of commitment are embedded within trust (cf. Wicks et al. 1999). Commitment is not important for personal reasons but for reasons which are outside the self. It seems to arise in social relations between people, and/or as a managerial belief of the good intent of change. A recognition of communal perspective instead of individual one is in focus. The emotional and value-laden aspect of commitment seems to enable managers to move beyond a rational prediction to the direction of faith and reliance. Some kind of dependence on other people also seems to be relevant.

The factors which underlie the trust-based commitment formation are the following: feeling of being competent, feeling of safety and caring, possibility to participate in common value-setting, consistency, integrity and openness in interaction, fairness of social procedures, congruence in the values of a manager and the intent of change, and the image of an organization. As a whole, trust-based commitment formation implies managers' reliance on other persons, especially peers or supervisors, good intent of change, and a fair process in a change implementation.

DISCUSSION AND CONCLUSIONS

Our findings call into question the general assumption that managers are committed professionals dedicating themselves to company goals such as a large-scale change. According to the findings from this study, managerial commitment is a complex construct, and its behavioral consequences may also be different depending on several factors that are related to the organization and to personal aspects. Commitment is a dynamic and complex concept rather than an either or phenomenon. It seems to be contextual, and it is shaped by dynamics specific to certain cultural and social settings. Therefore, commitment can not be easily or rationally controlled by an organization. These findings suggest that the commitment of middle managers, in particular, may be a complicated issue. Their commitment to change can sometimes be questioned. The context of a large-scale change may be critical especially in the sense of eroding commitment, and there can be a risk that a manager leaves the company. To conclude, the commitment of managers is not as self-evident as the commitment literature seems to assume. Literature and research should not only pay attention to the commitment of employees -- the perspective which traditionally has been in focus -- but that of managers, too. This seems to be especially essential when it is a question of professional managers who are not in the position of ownership.

The general assumption in the commitment literature suggests that people need material, social or psychological incentives and rewards which motivate them to identify with an organization. Although we see rewards as an important part of commitment formation, we suggest that using rewards is not a sufficient base for commitment formation. Rewards are meant to satisfy the needs of individuals, and one can never know all those needs. Therefore, we propose that much more emphasis than in prior research should be put on studying trust-based managerial commitment formation and factors affecting it. Trust has been insufficiently discussed and examined in the commitment literature although more attention has been paid lately to this concept in managerial and organizational research (e.g. Dobson and White 1995; Hosmer 1995; Wick et al. 1999). For example, Dobson and White (1995: 474) argue that trust is a morally desirable phenomenon in and between organizations, and that it can be a feasible implicit contractual mechanism among partners (see also Hosmer 1995). This study has explored the concept of trust as a type of commitment and shown empirically what factors may be relevant in commitment formation. However, further research is needed to investigate this phenomenon more thoroughly.

As stated above, the nature of managerial commitment can be different depending on several factors. We propose that managers' commitment to change can reflect varying combinations of the two types of commitments presented in this study: reward- and trust-based commitments. It can be concluded that both types of commitments are needed to achieve "realistic and good" commitment. Reward-based commitment is important because it may help a manager to be realistic, and not relying on the organization blindly. However, in its extreme form it may lead to opportunism and greed. However, it hardly provides a complete understanding of commitment on its own. Trust-based commitment is also needed for the following reasons. First, it may help a manager to avoid opportunism which in turn may have negative effects on the organization. Second, it may have a positive influence on the organization for economic reasons. Third, it can be an emotional and moral glue that binds individuals to an organization and tasks. Therefore, creating trust-based relationships can be a successful means to achieve organizational goals, for example, good atmosphere and positive image. But good human communities are not only a means for other goals. They are goals as such, and we suggest that trust may play an important role in them. However, relying alone on trust-based commitment may lead to naivety. That is why it is proposed here that the "sensible" combination of the two types of commitments presented above is needed.

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INSTITUTIONAL ANTECEDENTS OF HUMAN RESOURCE MANAGER DISCRETION

Elyssa Blanton Schultz, Loyola University at New Orleans
eschultz@loyno.edu
Randall P. Settoon, Southeastern Louisiana University
rsettoon@selu.edu

ABSTRACT

An essential element of the strategic human resource management (SHRM) perspective is the range of decision making discretion a human resource manager has for enacting change in response to environmental contingencies. Higher levels of discretion lead to human resource practices that are more innovative, responsive to employees, and congruent with the business strategy of the organization. In this study, we examined the degree to which human resource manager discretion is influenced by an organization's institutional environment. More specifically, research suggests that institutional factors such as laws, regulations, and the expectations of external constituents may constrain human resource manager discretion, ultimately affecting the range and content of human resource practices. The results of this study indicate that institutional factors such as industry-type, legal coercion, environmental uncertainty, and the interconnectedness of the institutional environment with the organization influence human resource manager discretion. The implications of these findings are discussed.

INTRODUCTION

The purpose of this study is to examine the degree to which human resource manager discretion is influenced by an organization's institutional environment. Institutional factors include laws and regulations, as well as the content of everyday interactions between members of the human resource profession. A central assertion of the institutional perspective is that organizations in institutional environments are pressured to become similar (Meyer & Rowan, 1977), or isomorphic, whereby organizations conform to the accepted norms of the population (DiMaggio & Powell, 1983; Rowan, 1982). Thus, institutional pressures likely affect the human resource manager's range of decision-making latitude, ultimately affecting human resource practices (e.g., Oliver, 1991).

HYPOTHESES

There are a variety of institutional antecedents which influence the level of discretion available to human resource managers (Oliver, 1991). Specifically, institutional pressures have been defined in terms of four factors: constituents, content, control, and context (Oliver, 1991). An organization's institutional constituents include the state, professions, interest groups, and the general public (Oliver, 1991). Each of these constituents impose a variety of laws, regulations, and expectations on the organization, acting independently and in concert to limit discretion. Similarly, human resource management departments or units interact with a variety of constituencies, many of which are in the firm's external environment (e.g., employment agencies or job applicants) (Tsui, 1990). The fewer the constituencies impinging on the HRM department, the fewer discretionary constraints are likely. Having only a small number of constituents to deal with will likely serve to simplify the activities of the HRM department (Aldrich, 1979), and should serve to improve the discretionary ability of the human resource manager.

Hypothesis 1: The smaller the number of external constituencies the HRM department must satisfy, the greater the discretion that will be available to human resource managers.

Another aspect of institutional pressures that may impact the level of human resource manager discretion concerns the content of institutional pressures. Here, organizational conformity to institutional pressures may be a function of the consistency and congruence of those expectations with the organization's existing goals and policies (Oliver, 1991). In HRM, it has been suggested that this congruence is likely to be stronger for public sector organizations.

Hypothesis 2: Human resource managers in private sector organizations will have more discretion than will human resource managers in public sector organizations.

Legal requirements mandating human resource management policies and practices are likely to play a major role in the environmental context of HRM. Changes in the legal environment have significantly changed the rules for the management of human resources. Not only are legal considerations a primary force shaping personnel policy (Ledvinka & Scarpello, 1992), but these issues are also an important constraint on human resource management decisions.

Hypothesis 3: The lower the degree of legal coercion behind institutional requirements, the greater the discretion that will be available to human resource managers.

The amount of human resource discretion is likely to depend on perceptions of the diffusion of institutional norms and rules. Because managers are less likely to be aware of developing or narrowly diffused values and practices, low levels of diffusion are less likely to limit discretion. That is, while the broad diffusion and validation of HRM practices are likely to preempt strategic decision-making about the efficiency of such practices, when such practices are not broadly diffused or validated managers may be more skeptical or unwilling to conform; as such, discretion levels will typically be higher in such situations.

Hypothesis 4: The lower the degree of voluntary diffusion of institutional norms, values, or practices, the greater the discretion that will be available to human resource managers.

The environmental context within which institutional pressures are exerted on organizations is also likely to be an important aspect of such institutional pressures (Oliver, 1991). Environmental uncertainty and interconnectedness are predicted to be significant dimensions of such context (Oliver, 1991).

Hypothesis 5: The lower the level of environmental uncertainty, the greater the discretion that will be available to human resource managers.

High degrees of interconnectedness in an institutional environment tend to promote isomorphism and conformity. Institutional environments are more likely to be interconnected when they contain many business, professional, and other membership organizations (e.g., political organizations and civic groups) (DiMaggio & Powell, 1983; Powell & DiMaggio, 1991). Because interconnectedness facilitates conformity and isomorphism with institutional elements, it is likely that such interconnectedness will also serve to limit discretion.

Hypothesis 6: The lower the degree of interconnectedness in the institutional environment, the greater the level of discretion that will be available to human resource managers.

RESEARCH METHODOLOGY

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

MEASURES

To assess the impact of institutional constituents on HRM, two variables were measured: the number of constituents and the multiplicity of demands. Data provided about the organization by top manager respondents were used to classify the distinction between public and private sector organizations in the sample. Two variables were used to assess control, the means by which institutional pressures are imposed on organizations: legal coercion and the diffusion of HRM policies and practices. To assess the institutional context within which environmental pressures are exerted, two categories of variables were examined: environmental uncertainty and the level of interconnectedness within the institutional environment. Measures of human resource manager discretion were developed for this study.

Three control variables were included in these analyses. Each has been proposed to be an important factor influencing the management of human resources. Union status was measured based on the report of the human resource management respondent. Competitive rivalry was measured based on the report of the top manager respondent, who was asked to indicate the instability of the competitive rivalry facing their organization. Finally, the industry in which the organization competes was included as a control variable in the analyses.

ANALYSES AND RESULTS

The hypotheses were tested using multiple regression analysis. No support for Hypothesis 1 was found. Hypothesis 2 was supported with respect to structural discretion. Specifically, the distinction between public and private sector organization was a significant predictor of structural discretion ($b = 3.11$, $p \leq .001$). Hypothesis 3 was supported with respect to structural discretion. The degree of legal coercion facing the HRM department was a significant predictor of structural discretion ($b = .35$, $p \leq .05$). Partial support for Hypothesis 4 was found. Two of the perceptions of diffusion (coercive and rational influences) were significant predictors of human resource manager. Voluntary diffusion of HRM practices (normative and mimetic forces) were not significant predictors of any indicator of human resource manager discretion. Hypothesis 5 was supported with respect to general discretion. Specifically, the degree of environmental uncertainty facing the human resource manager was a significant predictor of general discretion ($\underline{b} = -.24$, $p \leq .001$). Hypothesis 6 was supported with respect to both structural and general discretion. In particular, the human resource manager's level of activity in membership organizations was positively related to formalization, indicating lower levels of discretion ($b = .34$, $p \leq .10$). Further, both the number of business, professional, and membership organizations to which the human resource manager belongs ($b = .58$, $p \leq .05$) and the sum of the activity level in these organizations ($b = -.21$, $p \leq .05$) were significant predictors of general discretion.

DISCUSSION

In general, the results of our study indicate that human resource manager discretion is affected by the organization's institutional environment. Further, the findings of this study have important implications for future research focusing on the integration of choice (i.e., strategic human resource management) and deterministic (i.e., institutional) approaches to human resource management. A central debate in the organizational literature revolves around the extent to which managers or environments exercise predominant influence over organizational outcomes. While research has suggested that choice and determinism should be juxtaposed to develop an interactive view of organizational adaptation processes (Hrebiniak & Joyce, 1985), such efforts have not yet been made in the area of human resource management. Based on the findings of this study, choice and deterministic views of human resource management may be complementary. Human resource managers create and adjust organizational practices, but do so within institutional constraints that limit their discretion to take action (Pfeffer & Salancik, 1978).

Hambrick and Finkelstein (1987) argued that when discretion is low, the role of management is limited, and strategic explanations of organizational outcomes have less utility. On the other hand, when discretion is high, managers can significantly shape the organization and strategic explanations will be reflected in organizational outcomes. Implied in the findings of our research is that in order to predict changes in an organization characterized by low discretion, one need only to know what is going on in its environment. In a high discretion firm, on the other hand, changes in the structure and content of human resource management practices will not necessarily be tied to changes in the environment. That is, discretion on the part of the human resource management will improve his/her ability to gather and process information, to identify and negotiate alternate courses of action, and, perhaps, to select and implement human resource management practices to support firm strategy. We believe this study has added empirical evidence to the growing area of human resource management research, especially regarding the roles of institutional and strategic choice variables in the shaping of human resource practices.

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PERCEPTION AND REALITY OF THE HUMAN RESOURCE FUNCTION: VALUE-ADDED OR NON VALUE-ADDED

Michael P. Bradley, Augusta State University
mpbradle@aug.edu

ABSTRACT

The human resource function has been an integral part of the restructuring of organizations as companies downsize and re-engineer their management processes. However, there are conflicting views on the competitive advantage accruing to the firm from the activities of the human resource function. On one side, human resource management is viewed as a required strategic partner in the long term success of the organization. On the other end of the spectrum, human resource management is viewed as an automated function that itself is being re-engineered to the extent that it is a top candidate for outsourcing.

This paper tries to distinguish the perception of the human resource function from the reality of its outcomes to explain the ratings of the value of the human resource activity.

INTRODUCTION

A popular debate in the human resource field concerns the perception of the human resource manager held by other functional managers in an organization. Are they "corporate nobodies", or have they been accepted as contributing a "crucial role in making strategic business decisions"(Hoerr, 1985, p.59]) Hoerr believes that top management has recognized the value of the human resource function in today's environment and raised it to new heights of responsibility and prestige. Magnus (1987) agreed, and reports that the "personnel executive has become an integral partner with line management to change the face of American business". Magnus supports this claim with assertions from human resource managers in four well known companies that their corporate roles directly affect the success of their organizations. Managers from Vulcan Materials, Burlington Industries, Tandy, and First Interstate Bankcorp report specific instances in which their human resources groups have directly contributed to improved profits, and made major contributions to their organizations.

This dichotomy of views on the function of human resources, as a personnel department with routine duties or as a member of top management contributing to strategic decision making can be traced to the work of Devanna, Frombrum & Tichy (1981). Their "Strategic Perspective" has led to many conflicting reports on Strategic Human Resource Management (SHRM) and even some doubt as to the strategic value of human resources (Wright, 1998).

Walker (1987) reported that a survey and interview with 71 CEOs of major corporations indicated that "human resources is one of the most important corporate functions - one to which they look for help in forging a competitive edge for the business". However, this may be more of a perception of what the CEOs want rather than what they are getting as many of the CEOs saw their "human resource departments as administratively oriented - concentrating on record keeping and day-to-day problem solving". The CEOs indicated that they believed the human resource personnel should have the same influence in the organization as other staff groups and enjoy a similar prestige but many times they are relegated to a lower influence level. This perception of inferior influence is apparently due to a sense of human resource people being more reactive or responsive than proactive, and being more parochial in their views, and concerns. Walker quoted one executive on human resource managers: "they speak business language but many still don't have a business point of view". This lack of awareness of business issues and concerns apparently has damaged the credibility of human resource actions.

Andrews (1986,1987) has attributed this perception of a reactive orientation by human resource managers and its resulting impression of a lower contribution to the organization to a combination of three factors. Human resource activities often discourage creative actions with its structure. The behavioral science background of the profession encourages reactive behavior. And the interaction with operational managers often involves negative actions such as dismissals, rejections of raises, and other operational areas that line managers feel are their prerogative. These factors will often produce a perception that the human resource area is "lagging behind other areas".

Leskin (1986) contended that the line managers perception of the human resource manager is caused by "different backgrounds and experiences which lead to different attitudes, assumptions, and world views that are fundamentally at variance". This assessment would indicate that human resource managers have a long way to go before they are considered an integral partner in making the strategic decisions of organizations.

TECHNICAL OR STRATEGIC PERSPECTIVE

The two perspectives of human resources have been generally described as a "traditional, or technical, personnel perspective and a strategic human resource perspective" (Huselid, Jackson, & Schuler, 1997). The strategic approach to HRM involves designing and implementing a set of internally consistent policies and practices that ensure a firm's human capital (employees' collective knowledge, skills, and abilities) contributes to the achievement of its business objectives. Technical perspective involves recruiting, selection, performance measurement, training, and administration of compensation and benefits.

In a study of 100 senior executives in human resources and line management, Huselid, Jackson, & Schuler (1997) found that the respondents described their firms' technical HRM activities more effective than the strategic activities. But the same study found that the strategic effectiveness was significantly associated with firm performance but technical was not associated with firm performance. This implies that the managers still perceived HR being effective in routine tasks but not making a significant contribution in a strategic sense. In fact, the strategic contribution of HR did impact the bottom line, while proficiency in the traditional activities did not improve the performance of the firm.

The respondents in the same study described the professional HRM capabilities of the HR staff as greater than the business-related capabilities. This implies that the managers view HR as technical, not strategically qualified. Their sample from a wide range of industries, suggests that technical HRM activities are institutionalized both in perceived capabilities and perceived effectiveness.

Other researchers have argued that the HR function covers a broad spectrum, from tacticians or regulators to strategic decision advisors (Storey, 1992), or have evolved from performing a welfare role to a proactive strategic change role (Holt, 1994).

THE EFFECT OF PERCEPTIONS ON REALITY

The long standing perceptions of operations managers toward the human resource departments as technical functions that do not directly contribute to the "bottom line" may be the cause of the disparity of the strategic value of the human resource function as much as the actual contributions of human resources in strategic decisions. One way to measure the effect of any negative perceptions of the human resource function is to have managers rate the performance of managers in various functions in an organization. If the ratings differ even though the outcomes of these performances have been rotated so that there is no difference among the managers other than their title, then the ratings must represent a bias toward the function, not the performance.

If the human resource function is rated lower than the other functions, the routine perception of human resources will be the cause of the lower rating, not the actual activities that are performed or the reality of how effectively they are performed. The current literature suggests that such a study should be conducted before an accurate assessment of the value of the human resource activities can be determined.

Attribution theory could be used to design a study that tests the effects of perceptions on reality assessments as it describes the role of cognitive and perceptual factors in the determination of causality of an event by an individual. This experiment could test empirically the effects of the functional responsibilities in the evaluation process of managers. This empirical study would give more valid information on the effect of perceptions on the work and value of human resources than the surveys that are the basis for most of the current discussion.

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NEW VENTURE TOP MANAGEMENT TEAM COMPENSATION, GROUP PROCESS, AND NEW VENTURE PERFORMANCE: A RESEARCH AGENDA

Michael D. Ensley, The University of North Carolina at Charlotte
Craig L. Pearce, The University of North Carolina at Charlotte
Pasi Sajasalo, The University of Jyväskylä

ABSTRACT

The purpose of this research is to examine the impact of top management team (TMT) compensation on important TMT outcomes such as affective, behavioral, cognitive and performance outcomes. The focus of this research is high growth entrepreneurial firms included in the 1995 Inc. 500 list. Recently there has been much interest in compensation (e.g., Barkema & Gomez-Mejia, 1998; Hallock, 1998; Harris & Helfat, 1997; John & John, 1993; Laing & Weir, 1998). However, most of this interest has focused on relatively large firms (e.g., John & John, 1993). Some research has focused on the compensation of top-level groups. For example, Main, Bruce and Buck (1996) examined the compensation of boards of directors. Yet most top-level compensation studies focus solely on the CEO or the highest paid director (e.g., Harris & Helfat, 1997; Laing & Weir, 1998). Moreover, most studies of TMT compensation have focused on the determinants of TMT compensation (e.g., Jensen & Murphy, 1990; John & John, 1993) as opposed to the outcomes of said compensation. Some studies have, however, focused on small and medium-sized firms and have examined both the determinants and outcomes of managerial compensation (e.g., Watson, Storey, Wynarczyk, Keasey & Short, 1996).

As the primary function of entrepreneurial activity is profit making and wealth creation, TMT compensation in entrepreneurial firms should be vitally important (see Milkovich and Newman, 1990). DeCarufel, for instance, wrote that "the allocation of rewards to organizational members is one of the most powerful forces affecting their behavior" (1986, p. 181). If DeCarufel's assessment is accurate, TMT's entrepreneurial organizations would endure the same positive and negative impacts of compensation policies as would established organizations. TMT compensation policies could indeed have a profound influence upon the affect, behavior, and cognition of entrepreneurial teams and therefore upon TMT performance (Hambrick and Finkelstein, 1996).

Equity theory has a strong basis in organizational behavior literature (e.g., Adams; 1963; Homans, 1961) and human resources literature on the strategic use of compensation (e.g., Mahoney, 1979; Milkovich & Newman, 1990). Primarily, what the research shows is that compensation below relevant comparison generally has deleterious effects. For example, if relative pay is sufficiently low, individual intentions to leave will be heightened. If individuals intend to leave, it follows that their commitment is lowered and quite possibly they will display

withdrawal behaviors and be less engaged in the cognitive aspects of strategy formation. As each of these are counterproductive to organizational objectives it seems likely that organizational performance may also suffer.

HYPOTHESIS DEVELOPMENT: RELATIVE PAY EQUITY

Compensation levels beyond relevant comparison others generally has a less pronounced impact, yet the impact tends to be positive. For example, Main et al. (1993) found a significant positive relationship between average TMT compensation and stock market return and ROA in a study of 200 organizations. Therefore, we hypothesize that the compensation of TMTs, relative to comparable TMTs, will positively impact the functioning of the TMT. Thus;

H1: The relative compensation level of TMTs will be positively related to TMT affect.
H2: The relative compensation level of TMTs will be negatively related to TMT disruptive behavior.
H3: The relative compensation level of TMTs will be positively related to TMT cognition.
H4: The relative compensation level of TMTs will be positively related to TMT performance.

HYPOTHESIS DEVELOPMENT: PAY DISPERSION.

Several researchers have made theoretical linkage that group behavior (e.g., cohesion) is negatively affected by pay dispersion in work groups and top management teams (Finkelstein, 1995; Leventhal, Michaels, and Sanford, 1972; Rhodes and Steers, 1981). Others have found that aligning the incentives of group members, through use of gainsharing, can lead to greater levels of "noticing others' behavior" and "acting on others' behavior" (Welbourne, Balkin & Gomez-Mejia, 1995). Whyte (1955) and Leventhal (1976) argued that pay dispersion had a profound negative effect on consensus in teams and groups. This seems quite sensible given that differentially compensating individuals for work that is inherently integrated (see Steiner, 1976) may lead those less compensated to withdraw effort as a means to reestablish equity in their exchange relationship.

TMT cognition seems likely to be positively impacted by pay dispersion. For example, Knight, Pearce, Smith, Sims, Olian, Smith and Flood (1999) found TMT heterogeneity to lead to less strategic consensus. Since pay dispersion can be conceptualized as a type of heterogeneity it follows that pay dispersion could positively impact cognitive aspects of TMT functioning such as the level of idea generation and the development and discussion of alternative strategic perspectives within the TMT. This would fit with the findings of Bantel and Jackson (1989) that demonstrated clearly that heterogeneity increases the team's overall level of cognitive resources and therefore improves the ability of the TMT to respond to stressful decision making situations such as extremely high growth.

The key issue for the entrepreneurial firm, however, is performance. Could pay dispersion, in and of itself, have an effect on firm performance? Since the performance of the executive team is argued to be an important factor in overall firm performance (See Schwiger and Sandberg, 1989; Eisenhardt, 1989; Eisenhardt and Bougeious, 1989), factors that impact TMT performance are of vital importance. One factor that appears to impact the effectiveness of TMTs negatively is the heterogeneity of team members (e.g., Murray, 1989). Since increased levels of pay dispersion between TMT members can be conceptualized as a factor that creates differences--arguably quite important differences in the minds of the TMT members--it follows that pay dispersion may have a deleterious impact on TMT effectiveness (Jackson, Brett, Sessa, Cooper, Julin,, and Peyronnin, 1991). Moreover, Deutsch (1975) argued that the larger the difference between team members the more social comparisons occur. Thus, greater levels of pay dispersion appear likely to lead to greater psychological distance between members and this greater psychological distance seems likely to negatively impact the effectiveness of the TMT. Perhaps more directly linked with the current study, Bloom (1999) found pay dispersion to negatively impact team performance.

Thus, theoretical and empirical linkages can be found between pay dispersion and team outcomes. Lazaer (1989), Milgrom and Roberts (1988), Pfeffer and Langton (1993), O'Bannon and Pearce (forthcoming, 1999) and Frank (1984) provide support for a link between pay dispersion and TMT affect. Finkelstein and Hambrick (1996), Finkelstein, (1995), Leventhal et al. (1972), Pfeffer and Langton (1993), Rhodes and Steers (1981) and Welbourne et al. (1995) provide support for a link between pay dispersion and TMT behavior. Whyte (1955), Leventhal (1976) and Knight et al. (forthcoming, 1999) provide support for a link between pay dispersion and TMT cognition. Finally, Finkelstein and Hambrick (1996), Murray (1989) and Bloom (1999) provide support for a link between pay dispersion and TMT performance. Thus;

H5: The level of pay dispersion within TMTs will be negatively related to TMT affect.
H6: The level of pay dispersion within TMTs will be positively related to TMT disruptive behavior.
H7: The level of pay dispersion within TMTs will be positively related to TMT cognition.
H8: The level of pay dispersion within TMTs will be negatively related to TMT performance.

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LOGIC CONCEPTS IN STRATEGIC THINKING

Juha Näsi, University of Jyväskylä
jnasi@tase.jyu.fi

ABSTRACT

In this paper a classification framework for strategy concepts is presented. The framework consists of norm, humane and logic concepts. The logic concept is defined and illustrated as the newest important group of concepts in strategic thinking, being closely connected with other scientific fields and theories of cognitive thinking, a strategist's work, game mastery, business history and core competence.

INTRODUCTION

Strategic thinking is thinking on the language and reality of the strategy world. It deals with the strategic action - design and execution - of firms. Since the 1960s the language of strategy has developed rapidly within management thought. At different times during this period different concepts and terms have been predominant.

It is the aim of this paper to suggest a three-fold framework for strategy concepts. Furthermore, the purpose is to define and illustrate more deeply one, in fact the newest, category of concepts. We call this emerging class of terms "logic concepts".

A THREEFOLD FRAMEWORK FOR STRATEGY CONCEPTS

The oldest group of terms consists of concepts which were born in the wake of long-range planning, management by objectives and strategic planning. The concept of strategy itself forms, of course, the core of this family. Mission, creed and corporate philosophy constitute the general level. Objectives, goals, policy, procedures and budgets are likewise fundamental matters. Planning, organizing, motivating and control are functional activities in this group. The concepts belonging to this group are by nature *norms*. Norms tell that something is permissible, forbidden or obligatory. The strategic intentions and plans listed above represent in a way "technical norms".

The classic "In Search of Excellence" brought new kinds of concepts into the spotlight. Soon the phenomenon "corporate culture" added common values, interactive action and leadership by symbols to the list of concepts. After that, strategic leadership opened up the arena of the leader and the led, and the leader and the human environment. Among the brand new concept sets in this category are organizational learning, teams as a key to organization and knowledge management. The concepts of this second group are very *humane* by character. Individual action and collective interaction led by leaders - all involving deeply human beings - form the basic idea of this set.

The third group of strategy concepts is the newest set of ideas revealing the core of strategy. Logic of action, dominant logic, strategy logic, but also paradigm, activity system or recipe are examples of names with which one can try to explain the real success or failure factors in a firm. We will call these concepts *logic concepts* because their idea is to reveal the rationale of action in any enterprise.

Figure 1 summarizes the framework of the three sets of strategy concepts. This framework should not be interpreted too categorically. It just shows an idea and the outlines of the concepts involved in attempt to reveal their core characteristics. Some logic concepts may be normative but being normative is not the key feature of the concept. Moreover, one concept might belong to all three types of concept in a specific company context. A typical concept of this kind is that of vision. It can be readily understood both as a norm concept and a humane concept. In addition, it could well delineate the elements of a strategy logic in a firm, for instance.

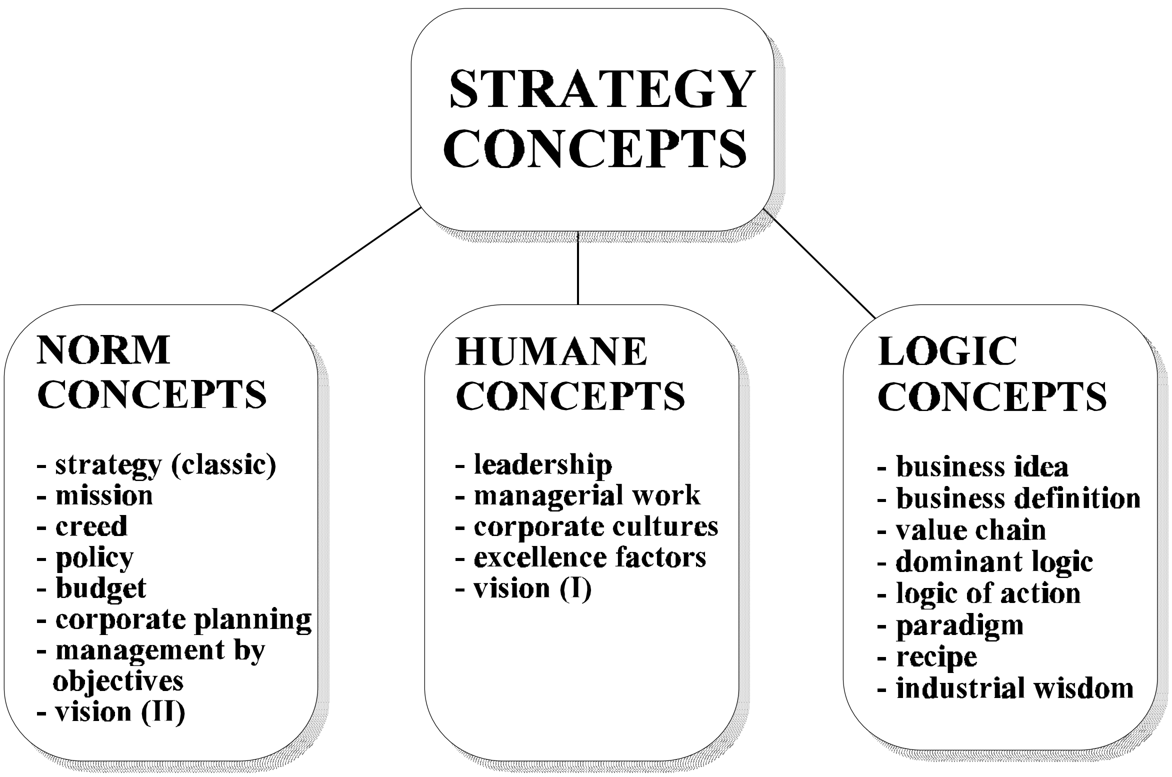

Figure 1: Three Types of Strategy Concepts

LOGIC CONCEPTS DEFINED AND CLASSIFIED

The first popular logic concepts tried to analyze firms against a certain framework. Abell (1980) introduced his "business definition", a three-dimensional model to classify the rationale of a firm and Normann (1973) outlined his market-products-way to operate framework to help in the same task. Normann named his construct the"business idea". Perhaps the oldest explicit logic suggestion was made by Karpik (1981). "Logic of action" seeks to make sense of the rationale behind the collective action of management fractions. This kind of logic of action could also serve as an umbrella concept embracing several sub-logics of action in, for instance, marketing, management or the human resources function. The most popular logic concept may be that of Bettis and Prahalad (1986). The dominant logic created by them is defined as the way in which managers conceptualize the business and make critical resource allocation decisions.

We need to underscore that the great majority of logic concepts do not wear the explicit label of "logic". Alternatives like ideology, management philosophy, frame of reference, interpretive schema, assumptions, beliefs, schema, myth and world-view represent some of the terms that have been put forward. The most well-know among such concepts may be the paradigm. A paradigm is a core set of beliefs and assumptions which fashion an organization's view of itself and its environment (Johnson 1987). It is important to bear in mind that these assumptions and beliefs may be shared. These collective mind-sets do not limit their space to the borders of a firm but can still be recognizable at the level of an industry. Recipe (Spender 1989) and industrial wisdom (Hellgren & Melin 1993) are the most frequent terms used at the industry level.

AN ILLUSTRATIVE EXAMPLE

Figure 2 presents a description of the strategy logic of a firm - Amer Corporation in Finland - during the period 1976-1990. During this time the Amer Corporation was a classic example of a company heavily committed to the idea of diversification. At the beginning the firm was a medium-sized company - not within the top 100 in Finland - largely dependent on the tobacco business. At the end of this period it was the 14th largest in the country and was operating in tobacco, printing and publishing, paper wholesaling, sports goods, car importing and the fashion clothing business, for example. In North-America the Amer Corporation is best known perhaps through tennis (Wilson), golf (McGregor) and ski (Atomic) equipment. The historical change was implemented with 53 acquisitions or establishments of companies; 23 out of these were later sold, 8 were closed and 8 were merged with other parts the corporation. The change was steered by a certain strategy logic.

We say that strategy logic of a firm comprehends a set of core elements in harmony or coordination, steering the whole of the firm towards survival and success. Strategy logic is subjective logic representing the thinking of key person(s) in the firm. Strategy logic may include both a metalogic, showing the method and framework for creating a strategy, and a substance logic for deciding what will be done in the firm. Strategy logic may be described in different ways depending on different sources: directly in company documents or in discussions with key persons, or it can be an interpretive result of a case study, for example. The term logic here follows the idea of subjectivity: "We think of a logic as simply a set of statements (implicit or explicit) that are shaped around several basic ideas or principles". Let us now turn to see what this meant at the Amer Corporation during the selected period. A more thorough description and analysis of the case is presented in another paper (Näsi & Laine & Ensley 1998).

The first point in the logic is to stay at the end of the distribution chain - only one exception was made. Brand-name products were crucial throughout the period. Strong growth took place through acquisitions and takeovers. At first the focus was on the domestic Finnish market, then came a major shift towards internationalization. Diversification and a balanced portfolio were guiding principles, too. And finally, a continuously strong financial position was held through a skillful investment strategy centering on shares and real estate. Figure 2, then summarizes the principles governing the strategic moves of that company.

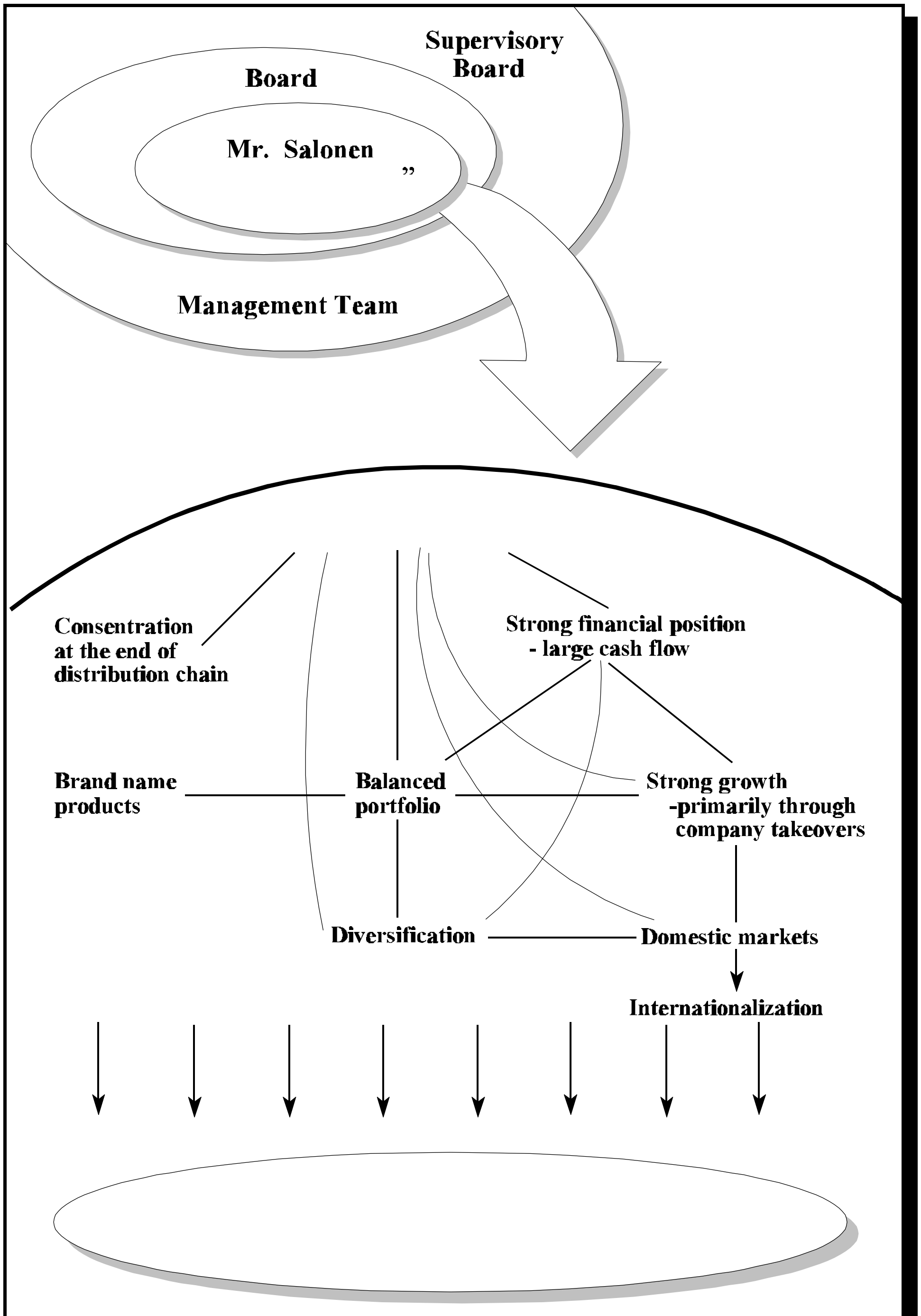

Figure 2: Amer Group's Strategy Logic

DISCUSSION AND CONCLUSIONS

Logic concepts have many functions, the most important of which are perhaps two: to serve as a device for interpretation and as a formula for action. These two functions are completed in a human but competitive setting, often taking place in the long run. Equipped with these qualifiers, serious research on logic concepts opens up at least five development fields.

The first of these is the *cognitive approach.* Identification and mapping of knowledge, as well as the existence and utilization of the mind-sets of the human being concerning individuals and collectives overlap heavily with the field of logic research.

The second, and it is related to the preceding field, is the *theory of the strategist(s)*. Great leaders have lately been a focus of study as leaders of people and shapers of cultures. Leaders as creators of the logic of a firm have not received much attention, however, and this is sector where much work needs to be done.

"Logic theory" describes the firm and its key persons as actors in a game. But it is not the application of strict game theory which is needed, but something more realistic, comprehensive and human - perhaps it can be called the game-playing approach or *game mastery*. In the game mastery approach the key person participates in the game by using all kinds of strategy-making: traditional strategic and formalized management processes, his/her leadership skills as well as his/her perception of the overall current situation and what his/her instinct tells about the next scene as well. And this kind of approach is still in its infancy.

Since the logic approach examines the development and evolution of firms in the long-run, it is related to *business history research*. Scholars in the area of strategy like to write about long-run formation but often lack the tool kit of historians. The logic arena could be a joint field.

Last, but not least, logic thinking overlaps with *the core competence* debate in highly significant ways. It is the real core competence that might be revealed through studying the materialized logic of successful firms.

However, before we can describe and combine the whole and the elements of a "strategy logic theory", much empirical work is needed. We can recognize noteworthy efforts every now and then, but the overall picture of contributions to the field is at present rather fragmented. In order to streamline the allocation of research work in a more appropriate way, much more conceptual work needs to be done. Conferences and special journal issues would form a suitable forum for launching these conceptual coordination operations.

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PERCEPTIONS OF EXIT BARRIERS IN DENTISTRY AS ELICITED BY FOCUS GROUPS OF DENTISTS

David P. Paul, III, Monmouth University
dpaul@momnouth.edu
John B. Ford, Old Dominion University
ibford@odu.edu

ABSTRACT

Barriers to exit have received little attention academically, and what little has been written concentrates exclusively on the product sector. Considering that over 75% of the U.S. Gross Domestic Product is now attributable directly to the service sector, and most U.S. industries are in a mature stage of the industry life cycle (when "shake out" most often occurs), the lack of interest in examination of exit barriers associated with services is surprising.

A review of the literature concerning product exit barriers was conducted. The barriers thus identified in the literature were examined to determine their applicability to service industries in general, and health care services in particular. The healthcare sector was selected because it is not only the largest component of the overall service sector of the economy - currently accounting for over 17% of GDP - but has recently been the focus of great, but largely unsuccessful, efforts to curtail its growth. Dentistry was selected as an example of a healthcare service because it not only provided a definitive sampling frame, but also was as yet largely untouched by changes due to managed care.

In-depth interviews with several dentists having over 20 years of practice experience were conducted. Using the exit barriers identified in the literature search and in-depth interviews as a starting point, several focus groups of retired and ready-to-retire dentists were conducted. Results of these focus groups resulted in confirmation of most of the hypothesized barriers to dental industry exit, while several additional dental exit barriers were also identified. Since an oversupply of dentists is projected for the next several decades, barriers to exit for dentists of retirement age appears an appropriate topic for investigation. Suggestions for future research in this area of inquiry are presented.

COLLECTIVE BARGAINING AS A TOOL TO EFFECTUATE ORGANIZATIONAL CHANGE: AN EXPERIMENT IN MUTUAL GAIN BARGAINING IN A LARGE PUBLIC TRANSIT AGENCY

Jerry D. Estenson. California State University, Sacramento
Estenson@csus.edu

ABSTRACT

Developing and gaining acceptance of an organization's common vision is a struggle for many Chief Executive Officers. Using of mutual gain bargaining processes to create alignment of strategic interests of management and labor is an emerging strategy. Labor and Management leadership in a large transit agency utilized this strategy to resolve long-standing issues, which were creating distrust and inappropriate behaviors. The process moved the organization to a better understanding of both party's core interests and started to resolve issues. The process helped create organizational skills in problem solving while assisting management gain credibility. The process did not created permanent changes in parochial behaviors or significantly alignment of management's vision with union interests.

INTRODUCTION

One of the major challenges facing management is their ability to have unions accept and support their strategic vision of the organization. This paper discusses an approach used by the leadership of a large urban mass transit agency attempting to align management's new strategic direction with the core interests of three unions representing its employees. Lack of alignment has resulted in a history of troubled relations between management and labor. These issues were left alone until outside pressure caused management to determined that the organization was in jeopardy. Management's approach to solve the problem was to use a collaborative approach to collective bargaining.

This paper explores the: process and effects of a leadership team's attempting to change the organization’s structure, a model developed to change collective bargaining behaviors, results of the bargaining effort on union and mid-level manager's perception of the organization's leadership, and a summary of lessons learned . The article also provides context for the attempted changes, specific activities used to solve problems, insights into the process, changes in perceptions and organizational performance, a summary of lessons learned and a framework for further study.

ORGANIZATIONAL CONTEXT

Three unions represent all but a small portion (less than 3%) of the two thousand employees working in the agency. The 1996 annual operating budget of the agency was $153 .4 million dollars.

The capital budget for the same period was $113.3 million dollars. Fiscal Year (FY 1996) budget reflected a constant dollars revenue drop of 8.5% from FY90-91 levels. As a result the agency negotiated wage freezes for employees in all three unions and froze the wages of senior management.

Facing increasing fiscal problems and conflict with and between its unions, the agency asked an outside consultant to assess the collective bargaining climate and recommend a strategy designed to help align the interests of unions and the agency. The consultant interviewed members of the Board of Directors, General Manager, senior management, senior union leaders from all three unions, members of the executive committees from the three unions, and agency staff members involved in past collective bargaining efforts.

The interviews revealed seven factors which, contributed to the current tension between labor and management : centralized decision making - critical operational and personnel decisions could only be made by headquarters, stagnation - the agency lacked a sense of urgency in addressing financial and operational issues, lack of accountability- there was limited management accountability below the Assistant General Manager (AGM) level, turn over - certain key jobs had a high rate of turn over; mid-level managers lacked the skill to perform their jobs, power vacuum - high turn over at the AGM level created a power and talent vacuum, lack of trust- there was little trust between most employees in the Agency, short term thinking- criteria used for most decision were short-term results. (Estenson, 1998)

The findings were presented to the Board of Directors, Senior Management and the leadership of the unions. In discussions with the various groups it was recommended that a change from adversarial approach labor relations occur. The consultant was asked to develop an alternative model and present it to the Board, Senior Management, and the Executive Committees of all three unions. Separate presentations were made to each group because of the low levels of inter-union cooperation and the lack of trust between all parties. After the meetings all parties agreed to try a collaborative approach.

THE MODEL

Dunlop (1958, 1993) discussed labor relations as system, which operates more broadly than other human resource activities. Dunlop argues that systems thinking is important in labor relations because it is based on the interaction among various stakeholders and external factors influencing the operation of the organization. The list of actors in a systems driven process include managers, worker organizations, unions, government, technology, and product markets. A symbiotic relationship between diverse external and internal factors requires fluidity and a fast response when a change occurs in any of the external or internal forces affecting the system (Dunlop, 1993). Failure to create a responsive system can result in the organization being forced to contract out work or cease performing certain functions.

The mechanics of American negotiations tends to limit organizational learning and trust building by following an eight- step ritual. During the ritual both parties limit information regarding their true interests and withhold other information, which would assist in solving core issues (Kennedy, 1982).

A different approach to bargaining started to appear in the literature in 1965 (Walton & McKersie, 1965). This approach asked the parties to think about negotiations as joint problem solving and an opportunity for mutual gain. This model viewed information collection as a collective effort using as many sources of information as possible. This included involving the traditionally forgotten lower level staff members and union rank and file.

In the mutual gain model's data collection stage, value-laden language is noted and provides the starting point for a dialog of interests. Parties discuss value-laden terms and agreement is reached on the precise meaning of each term. As an example “absenteeism” is a term which evokes strong feelings in most organizations. To address varying interests around someone being absent from work the parties need to define what is acceptable and unacceptable absence. Once the term is clearly defined the parties can start to address each sides interests. With interests clearly framed the parties can start to work on the last and most difficult step. This last stage requires the parties to develop trust. For Walton and McKersie (1965), trust was defined as the ability to candidly discuss preferences without that information being used against each other. A classic example of this process was the 1957 negotiations between Harry Bridges of the International Longshoremen’s and Warehousemen’s Union and the Pacific Maritime Association. The result of their efforts was an agreement that provided shipping companies the flexibility to containerize freight and union members a cushion for the shock of technological changes.

The model adopted by the transit agency borrowed heavily from Walton and McKersie’s integrative bargaining strategies as well as from information provided by the Harvard negotiation project (Fisher and Ury, 1981). Because of the initial lack of trust between the parties, a traditional mutual gain (collaborative problem solving) model was modified. Changes included the option to withdrawal from the process and proceeding with traditional bargaining without penalty, use of extensive prior training in skills related to using the process, continued involvement of senior management in the process, and utilizing carefully managed joint study groups to collect data. The study groups were designed to provide a broad group of agency employees extensive exposure to strategic issues. Selection for the groups was based on either expertise or interest in the subject.

The proposed model was based on the theory that opportunities to jointly solve problems could be created if: 1.) senior leadership was committed 2.) groups created a common language, 3.) data was jointly collected, 4.) non-defensive communication techniques were used during the bargaining process (Shotter, 1993; Harre, Rom, Gillett, & Grant, 1994). See figure 1 for the theory model.

Figure 1

THEORETICAL FOUNDATION

When A Group Creates a Common Language

AND

Collects Information and Data in Collective Manner

AND

Engages in an Open Dialogue Using Non-Defensive Communication Techniques

THEN

THERE IS AN OPPORTUNITY TO JOINTLY SOLVE PROBLEMS AND CREATE SOLUTIONS TO CORE PROBLEMS

Senior Leaders

Bargaining was structured in manner requiring senior management and labor leaders to be present at all critical meetings. Their presence was needed to symbolize commitment, model the behaviors expected during the process, and make decisions regarding allocation of resources.

Common language

Value-laden terms were brought forward and operational definitions of the terms were established. In addition, work groups provided common meaning to critical terminology.

Data Collection

At the beginning of the process trust between groups was very low. To assist the trust building process, participants agreed to participate in team building training, use joint data collection teams, and use facilitators to help all groups. The role of the teams was to collect data related to critical issues and to provide data to strategic groups conducting the actual negotiations. In addition to data collection the groups were asked to develop a list of options which could help resolve issues. In developing options the group was free to make joint recommendations or to bring back options supported by an individual or individuals within the group. Discussions of this nature at low levels in the organization help individuals, who had not been part of strategic planning, understand the operation of the entire agency.

Supportive Communication Strategies

It has been suggested that critical information can best be exchanged using non-defensive supportive communication techniques. Communication techniques are defensive when they: evaluate, control, or are strategic, neutral, superior, or certain. Another approach to communication is to use supportive techniques, which uses language, which is provisional, empathetic, equal, spontaneous, problem oriented, and descriptive (Gibb, 1961, 1978).

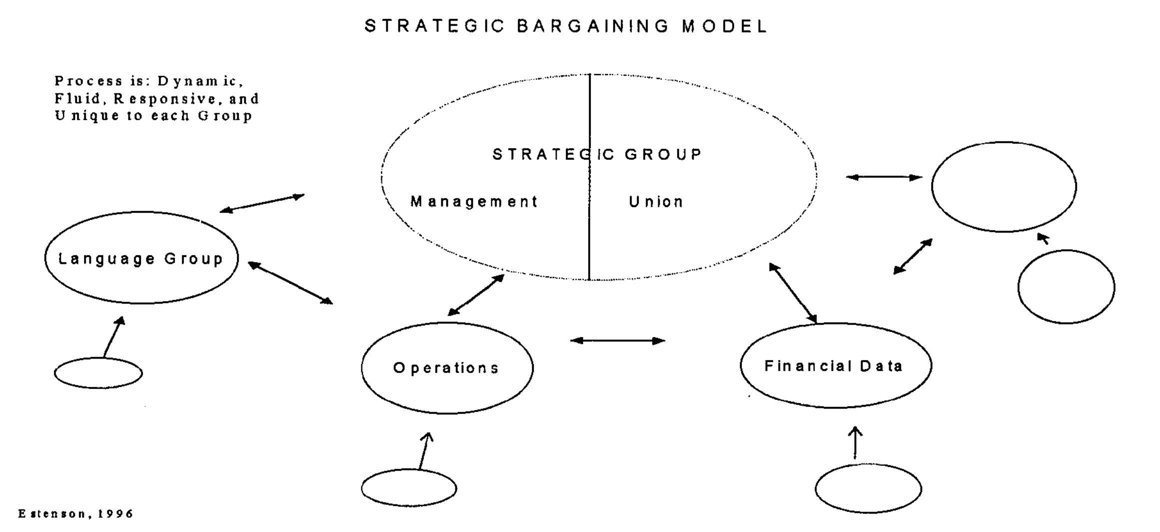
All participants in the process received training in the use of supportive communication techniques and agreed to take steps toward applying these techniques during bargaining.

After training in the process, the parties selected members for their Strategic Bargaining Groups (SBG). This group of senior leaders would be responsible for:

Setting the tone of the negotiations by clarifying the interests of both parties
Limiting the number of issues addressed
Providing direction and management of the data collection teams
Negotiating the final agreement
Coordinating implementation of the agreement.

The model for the structure of bargaining is set forth in figure 2. The key to the structure is a design where the SBG could create enough study groups to collect critical information. This structure was flexible with study teams being created and eliminated when their task was completed. In addition to collection of data the study groups were intended to be incubators to develop future management and labor leaders and provide more members of the agency access to strategic issues facing the agency.

Figure 2.



RESULTS AND ANALYSIS

Agreements were reached with all three unions without work stoppages. The terms of the agreements reallocated existing wages and fringe beneifts in current agreement and offset increased costs with changes in work methods. These changes were not changes in long established work rules but application of existing rules in a consistent manner. Cost were also recovered through changes in workplace behavior (absenteeism was lowered, workers compensation claim rates lowered and improvement in communication between various work groups). The significance of this agreement becomes apparent when one views the behavior of another regional transit agency with similar expiration dates and labor management history. This agency went on strike disrupting traffic in transit dependent community. When workers returned to work their new contract increasing agency cost while leaving both sides with unresolved issues.

A post-negotiations study was conducted to measure the degree the process helped the agency meet its goals and to memorialize lesson learned. The methodology employed to perform the post-bargaining analysis was a series of interviews. Forty-one individuals involved in policy setting or actual bargaining were interviewed. Additionally an organizational climate survey was given to thirty-one individuals from management, union rank and file, and union officials who were directly involved in bargaining. Sixteen of these individuals returned surveys.

Interviews

Data gathered from the interviews were categorized as comments related to: What in the process should be retained? What in the process should be changed? What constitutes an ideal labor-management relationship? How close is the agency to the ideal?

The participants indicated the following best practices: training in advance of bargaining, utilization of study groups, use of skilled facilitators, use of an open system (involve as many individuals as possible in the process), keeping a joint memory of what was done in each meeting.

Interviewees provided the following thoughtful observations on what could be improved in future negotiations: increasing pre and post bargaining training, expanding opportunities to participate, restructuring the bargaining process to allow for more time to engage in further research activities, creating systems which support permanent behavioral changes.

All forty-one interviewees were asked to define an ideal relationship between management and labor. The word pictures provided include the following attributes: a positive work atmosphere, flexibility in the structure of the labor contract, respect for others as unique individuals, clearly defined roles and expectations, and pride in the working for an organization.

When asked to rate the post-bargaining climate on a scale of one – ten using ten as the ideal, the respondents provided the following rankings:

Table 1.

Ranking of Labor Management Climate

Participating Group	Ranking	Number of Respondents
Board of Directors	6.4	5
Senior Management	6.4	5
Managers	4.15	13
Union One	5.28	9
Union Two	3.6	5
Union Three	3.6	4

Surveys

A survey was used to provide a detailed picture of pre and post bargaining perceptions of the labor-management relations climate. Attributes measured in the survey were developed from information gathered during the initial organizational assessment (Estenson, 1998). Each participant was provided a survey asking them to evaluate the bargaining climate before the process was used. A second survey utilized the same items asking for participant's perception of the current climate. The degree of change between the data in two surveys was measured by grouping the attributes into eight dimensions and determining the degree of change. Attributes include: hierarchical management structures, skill level of senior management, skill level of immediate supervisors, knowledge of the mutual gain process, long term versus short view of the organization, responsibility individuals take for their actions, organization's ability to learn, level of perceived trust between the parties.

A review of the pre and post bargaining data indicates that each group of respondents had a unique view of the climate. There were however some common negative outcomes from two of the union's perspective. Union One indicated they saw a decrease in mutual gain problem solving skills, an increase in short-term orientation, and lower levels of trust. Union Three saw an increase in the use of hierarchical systems being used to manage the District. When all three unions and mid-manager responses are combined a positive view is seen: change in hierarchical structure (+4%); skill levels of supervisors (+7%), organizational learning (+4%) and development of trust (+7%). The collective view was that there was a significant improvement in their perception of senior managers' skills (+22%), increased skill in using the mutual gain approach to problem solving (+13%) and a movement toward orientating the District toward the future (+12%).

An attempt was made to determine a correlation between labor-management climate and organizational performance. The lack of precise historical data used to measure organizational performance and the significant number of intervening variables prevented the acquisition of statistically valid data.

CONCLUSION

Traditionally senior management has absented themselves from the collective bargaining table. Their distance allows them to remain flexible on positions taken at the table and to step in should radical changes need to be made. Senior management in this organization viewed bargaining as an opportunity to provide an unfiltered explanation of their vision for the agency and to receive direct feedback from rank and file workers.

Post bargaining interviews indicated that changing from traditional bargaining to mutual gain approaches requires significant pressure from outside the organization; strong union and management leadership, political leaders commitment to the process; and line workers and managers willing to commit the energy and resources to reframe relationships.

Survey data indicates that the process positively changed rank and file perception of senior management's leadership style and, skills. The also change their view that the agency was past versus future orientated, and had a belief that their problem solving skills had improved. Data was not available to determine if the process substantially improved organizational performance.

Individuals involved in this set of negotiations support continuation of the process. Their greatest frustration has been the lack of speed in implementing ideas generated during bargaining. No one interviewed indicated a willingness to return to traditional adversarial bargaining. One long time union official stated that this was first time in thirty years he felt his voice had been heard.

Research in the field of change management and mutual gain negotiations indicates that change, of this magnitude, takes a great deal of time and that organizations such as those involved in this study need time to adjust. Interviews and survey data tend to support these findings.

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LIST OF AUTHORS