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Maui, Hawaii  
October 14-17, 1997



## Academy of Strategic and Organizational Leadership

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# **Proceedings of the Academy of Strategic and Organizational Leadership**

**October 14-17, 1997  
Maui, Hawaii**

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Co-Editors  
Western Carolina University**

**The Proceedings of the  
Academy of Strategic and Organizational Leadership  
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# AN EMPIRICAL EXPLORATION OF PERCEPTIONS OF USE AND EFFECTIVENESS OF WORK TEAMS IN AMERICA: THE INFLUENCE OF DEMOGRAPHIC FACTORS

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## ABSTRACT

*Scholars agree that while effective teamwork is important to organizations, this effectiveness is complicated by the diversity of the members involved. A survey was conducted of a large Mid-South firm to examine the relationship between specific demographic factors of team members and their perceptions of appropriate team size, their propensity to volunteer for groups, their feelings of group dependability, their comfort with group communication, their perceptions of work group effectiveness, and their personal work satisfaction through participation in work groups. Several mean responses to the variables differed according to demographic factors of gender, culture, classification (hourly vs. salaried) and size of work team. The statistical findings are discussed in light of literature on team effectiveness.*

## INTRODUCTION

Although it has been recognized that the workforce is becoming more diverse (Cox, Lobel, & McLeod, 1991; Fine, 1996; Jamieson & O'Mara, 1991), empirical explorations of the effects of diversity in organizations are seemingly absent (Cox, et al., 1991), keeping knowledge about diversity in organizational life at a minimal level (Fine, 1996). While the workforce displays greater diversity, one of the leading strategies being increasingly used by U.S. corporations to gain a competitive advantage is the use of teams (Bergmann & DeMeuse, 1996; Dumaine, 1994; McCann & Buckner, 1994; Osterman, 1993). Up to 70 percent of U.S. companies are utilizing the team concept (Bergmann & DeMeuse, 1996). While the composition and perspectives of workforce members are evolving and mirroring the shifts in society (Jamieson & O'Mara, 1991), the dynamics of a diverse workforce are especially evident when put into work teams (Mills, 1984).

The coupling of the diverse workforce with the team concept makes it of utmost importance to consider demographic factors of these diverse workers who are expected to work effectively and efficiently in work teams throughout American organizations. Examining the perceptions of a diverse workforce with regard to use and effectiveness of work teams will allow a better understanding of differing perceptions of such things as appropriate team size, propensity to volunteer for groups, feelings of group dependability, comfort with group communication, perceptions of overall work group effectiveness, and personal work satisfaction through participation in work groups.

Only a few studies have previously examined the demographics of work team members as influencing perceptions of group effectiveness (e.g., Donnelly & Kezsbom, 1994; Frost, 1994); those who acknowledge that teams and effective teamwork are important to the studied organizations have concluded that effectiveness is complicated by the diversity of the members involved (Donnelly & Kezsbom, 1994).

## PURPOSE AND PROCEDURES

The main purpose of this study is to determine from an exploratory empirical investigation the relationship between specific demographic factors of team members and their perceptions of appropriate team size, their propensity to volunteer for groups, their feelings of group dependability, their comfort with group communication, their perceptions of work group effectiveness, and their personal work satisfaction through participation in work groups.

To conduct this analysis, a survey instrument was designed and distributed to employees of a large manufacturing facility. Employees were asked to indicate on a five-point scale with five representing a positive perception (such as fully agree) and 1 representing a negative perception (such as fully disagree) their perception of various aspects of team use and effectiveness. Frequencies and percentages were calculated for demographic factors. Statistical analysis was run using SPSS, Version 6.1.2.

The Mid-South plant surveyed employs 1,634 and conducts business both domestically and internationally. About 33% of employees are female; 9% are classified as salaried, while 91% are hourly. Of the 1,634 employees, the largest number (69%) is African American; 30% are White U.S. Americans; the remaining 1% are of other cultural backgrounds. The targeted sample size of 550 represents 34% of the total employees. The number of usable responses was 246, representing about 15% of the total population. All included respondents indicated that they had resided in the U.S. for ten or more years.

Of the 238 respondents indicating their classification, 161 (68%) were hourly employees and 77 (32%) were salaried. Of the 239 indicating their gender, 90 (38%) were female and 147 (62%) were male. Two hundred thirty-eight respondents indicated their age; 14 (6%) were under 25; 86 (36%) were 25-39; 112 (47%) were 40-54; and 25 (11%) were 55 or above. Table 1 shows demographic information regarding respondents' culture and typical size of their work team.

Culture	Frequency	Percent
African American	127	51.7%
White U.S. American	106	43.1%
Other	13	5.2%
Total	246	100.0%
Typical size of work team		
Fewer than 5	57	24.1%
5-9	114	48.1%
10-14	29	12.2%
15-19	9	3.8%
20 and above	28	11.8%
Total	237	100.0%

## RESULTS

Before investigating the difference between mean responses according to demographic factors, an examination of the simple correlations between demographic variables and specific variables was conducted (Table 2).

By examining the correlation matrix, an overview of the associations between variables is apparent. For instance, a significant correlation exists between respondents' gender and how comfortable they feel openly communicating within and with other groups. Furthermore, gender is significantly related to the extent to which personal work satisfaction has been affected through participation in work teams. Respondents' culture is significantly related to perceptions of other group members' dependability in the group as well as to overall perception of effectiveness of work groups in the organization. Whether or not the respondent is hourly or salaried (classification) is related to several factors: perceptions of other group members' dependability in the group, comfort with openly

communicating within and with other groups, overall perception of effectiveness of work groups, and the extent to which personal work satisfaction has been affected through participation in work teams. Typical size of the respondents' work team is also significantly related to factors including perceptions of other groups members' dependability in the group, overall perception of effectiveness of work groups, and the extent to which personal work satisfaction has been enhanced through participation in work teams.

	age	gender	culture	classftn	size	v1	v2	v3	v4	v5	v6
age	1.00										
gender	.45	1.00									
culture	.00*	.93	1.00								
classftn	.157	.01*	.00*	1.00							
size	.00*	.22	.00*	.00*	1.00						
v1	.23	.49	.01*	.59	.60	1.00					
v2	.96	.59	.53	.43	.42	.00*	1.00				
v3	.13	.45	.00*	.01*	.00*	.00*	.00*	1.00			
v4	.48	.01*	.48	.01*	.73	.00*	.00*	.00*	1.00		
v5	.19	.89	.02*	.00*	.01*	.00*	.00*	.00*	.00*	1.00	
v6	.22	.04*	.22	.00*	.01*	.00*	.00*	.00*	.00*	.00*	1.00

\*  $p < .05$   
*v1 = perception of appropriately sized work team*      *v4 = comfort level openly communicating within and with other groups*  
*v2 = usually volunteer for a team*      *v5 = overall perception of group effectiveness*  
*v3 = team members are usually dependable*      *v6 = personal work satisfaction*

To further examine the associations that were demonstrated through correlations, simple ANOVAs were also conducted to examine the difference between mean responses to the variables according to the relevant demographic factors. Table 3 shows results of the ANOVA analyses.

	Age		Gender		Culture		Classification		Size of Team	
	F	p	F	p	F	p	F	p	F	p
v1	.04	.99	.08	.78	1.92	.06	.00	.99	.63	.64
v2	1.20	.31	.66	.42	.40	.69	.18	.67	.48	.75
v3	.64	.59	.37	.54	3.21	.00*	6.14	.01*	1.62	.17
v4	.19	.90	15.11	.00*	.75	.45	6.81	.01*	.18	.95
v5	1.99	.12	.67	.41	1.76	.08	14.16	.00*	1.39	.24
v6	.17	.92	2.29	.13	1.54	.13	6.13	.01*	2.75	.03*

\*  $p < .05$   
*v1 = perception of appropriately sized work team*      *v4 = comfort openly communicating within and with other groups*  
*v2 = usually volunteer for a team*      *v5 = overall perception of group effectiveness*  
*v3 = team members are usually dependable*      *v6 = personal work satisfaction*

As shown in Table 3, several mean responses to the variables differed according to demographic factors of gender, culture, classification (hourly vs. salaried) and size of work team. For instance, with regard to gender, males

and females responded differently to how comfortable they feel in openly communicating within and with other groups. Specifically, males indicated that they generally feel more comfortable (mean response of 8.30 on the combined 5-point scales) than females (mean response of 7.30). Perhaps this is due to the fact that the studied organization consists of more males than females, and those of the same gender often feel more comfortable communicating with each other (Tannen, 1990).

With regard to perceptions of other group members' dependability, culture and classification were significant factors in responses. Specifically, African American respondents and hourly employees indicated the belief that other group members are more dependable (mean of 3.93 and 3.79 on a 5-point scale) than did White U. S. American respondents (mean of 3.54) or salaried employees (mean of 3.42). These results are consistent with past research indicating that groups of people from collectivistic cultural traditions (such as African Americans) display more cooperative behavior than do those from individualistic cultural traditions (such as White U.S. Americans) (Cox, et al., 1991). Hence, perceptual differences about work groups, as seen here, may be partially explained by using cultural differences of individualism and collectivism. In fact, Wagner and Moch (1986) suggest that more research using the cultural difference variable of individualism/collectivism would definitely contribute to management models such as team building.

Respondents' classification (hourly vs. salaried) played a role in perceptions of several factors related to use and effectiveness of work teams. Specifically, classification influenced responses to how comfortable respondents feel openly communicating within and with other groups, overall perception of effectiveness of work groups, and personal work satisfaction. In fact, salaried workers indicated greater comfort in communicating within and with other groups than did hourly employees (means of 8.32 and 7.64 on the combined 5-point scales of communicating within groups and with other groups), whereas, hourly workers indicated higher overall perceptions of work group effectiveness (hourly mean: 3.76; salaried mean: 3.26 on a 5-point scale) and higher levels of personal work satisfaction (hourly mean: 3.82; salaried mean: 3.51). These differences may corroborate past findings where the most significant differences found in perceptions of teams were found between management and non-management people (Frost, 1994).

Size of the respondents' work team also played a role in responses to personal work satisfaction. Those respondents in work teams with 20 or more members indicated a greater personal work satisfaction (mean of 4.19 on a 5-point scale) than did those respondents who participate on teams with five to nine members (mean of 3.59). This finding is surprising in light of the fact that several researchers have identified the most optimal team size as consisting of five to eight members (Daft, 1994; Logan, 1993).

## CONCLUSIONS

Changes are occurring within organizations to adopt work teams, including new technologies designed for teams, management styles shifting to emphasis of the collective over the individual, and redesigning of jobs to take advantage of group benefits. However, these changes need to be made with an awareness of the diversity of the workers involved. Understanding the perceptions of a diverse workforce with regard to work teams will allow scholars and practitioners to better utilize the diverse workforce in a team environment and boost worker satisfaction as well as increase productivity.

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## MATHEMATICAL MODELS SUGGESTING BASIC SOURCES OF ADVANTAGES IN MANUFACTURING

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### ABSTRACT

*This study involves the development of linear mathematical models explaining the revealed comparative advantage (RCA) in five statistically created industries. RCA demonstrates advantages of an industry in a country relative to other industries in that country, not relative to that industry in any other country. Hence, this study's models should not be used to predict exports of a particular industry in a particular nation. Rather, these models may be used to predict which industry, within a nation, has the most promise; again, relative to the other industries in that nation. The five industries were created via the theory-driven SPSS Quick Cluster routine and include all thirty seven international Standard Industrial Classification (ISIC) manufacturing industries. Four of the five industries are called Technologically Emerging, Technologically Maturing, Capital intensive, and Labor intensive industries according to the amount of capital and/or labor used in them relative to value added. The fifth industry was called the Food/ Beverage/ Tobacco industry because of the industries within it. It represents a special type of Technologically Emerging industry. The independent variables used in the models for each of the industries are those from popular international trade theories. Included were such variables as human capital, physical capital, technology, demand similarity, population density, natural resources, product differentiation and energy intensity. From a political perspective, the models should be of interest to national policy planners responsible for encouraging or mandating potential resource allocations to industries having the most export potential. From a business perspective, the models suggest basic sources of advantage. The models suggest there are some economic and, at least on the surface, non-political explanations of RCA. It was also interesting to find that each of the three popular country groups (less developed, newly industrializing, and developed) had an advantage in at least one of the five industries. Academicians should be pleased to note that some credibility was added to some popular trade theories by showing their consistency with real trade data.*

### INTRODUCTION AND PURPOSE

In the absence of political interventions, to be competitive in manufacturing, it is becoming increasingly necessary to be globally competitive. The type of globally competitive advantage of contemporary interest is that which has been achieved by, first, targeting an industry in which one wishes to compete, and, then, systematically and diligently investing for the long term in that industry. This approach is the one commonly attributed to Japanese firms. In the U.S., this approach is frequently Commended by those advocating a national "industrial policy." To anticipate, the results

of the study reported here suggests basic national and industry variables can be used to predict revealed comparative advantage (RCA) (Balassa, 1965). The results also suggest that each popular country group, Developed Countries (DCs), Newly Industrializing Countries (NICs), and Less Developed Countries (LDCs) each have at least one industry in which they have a RCA. These results suggest some justification for the so-called industrial policy strategy. However, for several reasons, we wish to emphasize that we are not advocating an industrial policy. Advocating an industrial policy is quite different from advocating other forms of political interventions, such as tariffs and other forms of protection for a particular industry. Both approaches are heavily laden with political actions, but the industrial policy approach seems to be based more in economics, and the protection approach seems to be based more in politics. Consequently, in the foreseeable future, as in the past, there will and should be attempts to distinguish advantages gained by politics from those gained by economics. In the study reported here, we sought to identify some economic and, at least on the surface, non-political sources of these advantages. Also, by using variables commonly included in popular trade theories, we hoped to add credibility to some popular trade theories.

Our more specific purpose was to develop empirical linear models based on national attributes and industry characteristics which would indicate some of the sources of Balassa's (1965) RCA in manufacturing. RCA indicates the export strength of an industry in a country relative to other industries in that country, not relative to that industry in any other country. Neither RCA nor the popular "comparative advantage" should be interpreted as a competitive advantage when the competitor is in another country. However, an understanding of comparative advantage helps one understand competitive advantage, particularly if one subscribes to the "industrial policy" strategy of gaining global competitiveness.

We included a wide range of countries in our study. However, doing so meant a very wide range of manufacturing capabilities and performances. Hence, we chose RCA as a measure of global competitiveness which would apply reasonably well to countries of various sizes and with various export volumes.

This study involved two major phases. In the first phase, all thirty seven International Standard Industrial Classification (ISIC) manufacturing industries in the U.S., presently classified on the basis of product similarity, were reclassified into four industries according to similarity of manufacturing process utilized. Specifically, those four distinct capital-labor mixes were: Capital Intensive (high in capital/value added); Labor Intensive (high in labor/value added); Technologically Maturing (high in both capital and labor/value added); Technologically Emerging (low in both capital and labor/value added). A fifth industry Food/Beverage/Tobacco was also created. This Food/Beverage/Tobacco industry was also a Technologically Emerging industry. However, it was felt that the uniqueness of the three subsets warranted its being treated as a separate Technologically Emerging industry. Most of the following discussion ignores this unique industry. A brief discussion of our reasons for this reclassification step follows.

Over the years, we have rather carelessly assumed that capital is a substitute for labor. In essence, manufacturing processes are frequently conceptualized as a continuum with Labor Intensive at one end and Capital Intensive at the other. In much the same way that engines replaced horses, capital is assumed to replace labor. This assumption was probably okay for many years. Often,

competitive advantage was gained by those manufacturers who invested capital in the most modern machines.

The continuum conceptualization of labor and capital is frequently useful and plausible but it is virtually always insufficient to describe modern manufacturing processes. For modern processes, the tendency to think that capital replaces labor should be discouraged. As Drucker [1986] so eloquently puts it, the industrial economy is now "uncoupled" from employment. To locate sources of competitive advantage it is becoming essential that we think in terms of knowledge intensity. We should think in terms of knowledge replacing either or both capital and labor.

Knowledge, working smarter rather than harder, has long been the universal normative rule. A model purporting to show the relationship of labor and capital must include the underlying dimension implicit in that time honored rule. That dimension is technology. The unidimensional continuum model must be replaced by one allowing many more possibilities. Certainly, one must consider at least two other very obvious possibilities. First, both capital inputs and labor inputs might go up together. Secondly, both might go down together. To depict all states of affairs, one needs a continuous space within which all combinations are possible. To keep matters simple, we considered only the four or five aforementioned discrete possibilities.

The addition of value added complicates the issue by indirectly introducing pricing as a variable. The key to gaining an advantage in manufacturing is to add value. We recognize that the amount of value added depends on more than just manufacturing processes. For example, one could increase value added on the upstream side via lower cost suppliers or on the downstream side by increasing pricing. However, although it complicates the issue, we believe the addition of value added makes our model more realistic.

In the second phase, regression models were developed using various national and industry characteristics as the predictors and RCA (Balassa, 1965) as the criterion for each of the five industries.

### **PHASE 1: INDUSTRY RECLASSIFICATION**

Data were collected on the thirty-seven three digit (ISIC) manufacturing industries in the U.S. The SPSSX Quick Cluster routine was then used to cluster these thirty seven industries into the five. Again, the Technologically Emerging industry was split into two.

Data regarding value added and labor and capital intensities were collected from the U.S. industrial statistical data in the U. N. industrial Statistics Yearbook (Vol.1), 1986 (the latest available as of early 1989). The measurements used for labor intensity and capital intensity were:

- (1) Labor Intensity (L/V): operative work hours per dollar of value added
- (2) Capital Intensity (K/V): fixed capital per dollar of value added

The SPSSX Quick Cluster routine is "theory driven," hence, one must initialize it with "seed" industries which the theory suggests represent the four industries. Considerable literature support was found for the following four initializing seeds:

ISIC 3522 drugs and medicines for Cluster 1, Technologically Emerging  
ISIC 3513 synthetic resins for Cluster 2, Capital Intensive  
ISIC 322 apparel for Cluster 3, Technologically Maturing  
ISIC 356 plastic products for Cluster 4, Labor Intensive

## PHASE 2: REGRESSION MODELS

We want to reemphasize earlier statement regarding sources of competitive advantage. There has been and should be attempts to distinguish competitive advantages gained by politics from those gained by economics. In this study, we sought to identify some economic and, at least on the surface, non-political sources of these advantages. We hoped that using variables included in popular trade theories, would add credibility to these theories. We eventually reduced the number of variables in our models, but for now all of the following variables should be considered relevant.

### NATIONAL ATTRIBUTES VARIABLES (x1 through x8, V1, and V2)

Independent Variable: x1: Ratio of Foreign Direct Investment (FDI)

Measurement: FDI ratio = FDI(originated) / FDI(received), 1985. The measuring unit of FDI is million SDR.

Source: IMF, Balance of Payments Statistics (1987) Vol.38.

Independent Variable: x2: Human Capital

Measurement: Scientists and engineers per million inhabitants.

Sources: (1) Kurian, George Thomas, The New Book of World Rankings, 1985, Facts on File publications. (2) U. N., Department of International Economic and Social Affairs, Statistical Office, Statistical Yearbook (1985/1986).

Independent Variable: x3: Technological Advancement

Measurement: Number of registered patents in force in each country.

Sources: (1) Kurian, George Thomas, The New Book of World Rankings, 1985, Facts on File publications. (2) U. N., Department of International Economic and Social Affairs, Statistical Office, Statistical Yearbook (1985/1986).

Independent Variable: x4: Physical Capital

Measurement: Fixed capital per manufacturing employee. 1981 - 1985

Sources: For the gross fixed capital formation, the data were collected from IMF, International Financial Statistics Yearbook, (1987). For the average number of industrial employees, the data were collected from U. N., Yearbook of Labor Statistics, International Labor Office, (1986). The measurement unit of the gross fixed capital formation is billions of U.S. dollars. The measurement unit of the average number of industrial employee is millions of employees. Therefore, the resulting measurement unit of physical capital is thousands of U.S. dollars per employee.

Independent Variable: 1/x5: Demand Similarity

Measurement: What was actually calculated was demand dissimilarity (x5). Using the PROXIMITIES Program of SPSSX, the Euclidean distance between the ideal income distribution (assumed to be that of the U. S.) and that of the subject nation was calculated. The input data for the PROXIMITIES Program were the mean GNP/Capita and the upper and lower bounds of per capita income calculated as in the following example.

Generally, if x percent of the population of a country with per capita income of \$1,000 earns y percent of the income, then this x percent of the population has a per capita income of

\$1,000 times (y/x). We assumed the upper bound of per capita income to be the richest 10% and the lower bound to be the poorest 40%. Specifically, in Japan the per capita income in 1985 was \$12,000; the poorest 40% of the Japanese population earned only 5% of the income, while the richest 10% earned 30% of the income. Therefore, the per capita income of the poorest 40% of the population was \$12,000 times (5.0%/40%) = \$1,500, and the per capita income of the richest 10% is \$12,000 . (30%/10%) = \$36,000. The range of demands in Japan can hence be approximated by a range of from \$1,500 (lower bound) to \$36,000 (upper bound).

As stated earlier, the output of the PROXIMITIES Program was the Euclidean distance (indicating dissimilarity) of a nation's income distribution from that of the U. S. Source: The income distribution data for 1985 were collected from the following. (1) Kurian, George Thomas, *The New Book of World Rankings*, (1985), Facts on File publications, (2) World Bank, *World Development Report* (1986), Oxford University Press, (3), World Bank, *Population Change and Economic Development* (1986), Oxford University Press.

Independent Variable: x6: Natural Resource

Measurement: The inverse of population density was assumed to be one indicator of natural resources. The measuring unit of population density was persons per square kilometer.

Source: U.N., *Demographic Yearbook*, U. N. Statistical Office, 1985.

Independent Variable: 1/x7: Population Density Similarity

Measurement: An absolute difference of population density was used as a measure of x7, population dissimilarity. Belgium's population density was chosen as the "ideal" point from which to calculate a difference in densities. The decision to use Belgium as the ideal point, was prompted by Dre'ze's (1960) study involving, among other things, population density.

Source: Same as above, for x6.

Independent Variable: x8: Product Differentiation

Measurement: The number of registered trade and service marks in force was used as an index of the variety of products and services in the market.

Sources: (1) Kurian, George Thomas, *The New Book of World Rankings*, 1985, Facts on File publications. (2) U.N. International Labor Office, *statistical Yearbook*, U.N. Department of International Economic and Social Affairs, Statistical Office, (1985/1986).

Independent Variables: V1 and V2: Economic Development Stage

These were dummy variables representing economic development stage.

### **INDUSTRY ATTRIBUTE VARIABLES (x9 through D1, D2, and D3)**

Independent Variable: x9: Energy Intensity

Measurement: Watt-hour electricity consumed per U.S. dollar output value Source: U.N., *Industrial Statistics Yearbook*, Statistical Office, (1985).

Independent Variable: x10: Value Added Ratio

Measurement: Ratio of "value added / value of outputs".

Source: U.N., *Industrial Statistics Yearbook*, Statistical Office, (19X5).

The measuring unit of value added is billions of U.S. dollars, and the measuring unit of the value of output is billions of U.S. dollars.

Independent Variable: D1, D2, D3: (labor and Capital Intensity)

These were dummy variables representing the four categorized industries.

Dependent Variable: Revealed Comparative Advantage

Export performance strength of a given industry  $i$  in country  $j$  was measured by Balassa's (1965) index of Revealed Comparative Advantage (RCA).

$$RCA_{ij} = (E_{ij} / E_{mj}) / \left( \sum_{j=1}^n E_{ij} / \sum_{j=1}^n E_{mj} \right) \times 100\%$$

Where  $RCA_{ij}$  = index of industry  $i$  for country  $j$ ,

$E_{ij}$  = exports of industry group  $i$  by country  $j$ ,

$E_{mj}$  = exports of all industrial products by country  $j$ ,

$n$  = number of countries in the sample.

Source: The data were collected from U. N, Statistical Office, international Trade Statistics Yearbook (1985) Vol. 1 and 2.

The numerator of the RCA formula is the proportion of the total exports of a country represented by an industry. The denominator is the proportion of total world exports, from all countries, represented by that same industry, worldwide. Note that the exports of a specific industry from a specific country might be quite small, yet that country would have a large RCA in that industry if total worldwide exports of that industry were also quite small. Hence, like its cousin, comparative advantage, RCA addresses advantages of an industry in a country relative to other industries in that country, not relative to that industry in any other country. Neither RCA nor comparative advantage should be interpreted as a competitive advantage if the competitor is in another country.

Data on national attributes, industry characteristics, and export amounts were gathered for fifty eight nations which contribute more than 90% of the exports from the whole world.

Countries not included were:

1. Nations with such small manufactured exports that they were not included in the U.N., Statistical Office, industrial Statistics Yearbook, (1985),
2. Nations which have suffered seriously from wars and famine in last ten years (Afghanistan, Chad, El Salvador, Ethiopia, Iran, Iraq, Kampuchea, Laos, Nicaragua, Vietnam),
3. Organization of Petroleum Exporting Countries.
4. Nations which did not provide the statistical data required by this research (Bulgaria, East Germany, Hungary, Rumania, USSR)
5. Czechoslovakia, Poland, Cuba, and South Africa. These four countries were eliminated for various reasons.

Countries surviving our screening process were: DEVELOPED COUNTRIES (DCs) Australia, Austria, Belgium, Canada, Denmark, Finland, France, Iceland, Ireland, Italy, Japan, Netherlands, Norway, New Zealand, Sweden, Switzerland, United Kingdom United States, West Germany; NEWLY INDUSTRIALIZED COUNTRIES (NICs) Argentina, Brazil, Greece, Hong Kong, Israel, Mexico, Portugal, South Korea, Singapore, Spain, Taiwan ROC, Turkey, Yugoslavia; LESS DEVELOPED COUNTRIES (LDCs) Barbados, Bolivia, Bangladesh, Chile, China, Colombia, Costa Rica, Cyprus, Dominican Republic, Panama, Guatemala, Haiti, India, Jordan, Kenya, Macau,

Malaysia, Malta, Nigeria, Pakistan, Papua New Guinea, Peru, Senegal, Sri Lanka, Trinidad & Tobago, Uruguay

### **REGRESSION ANALYSES**

First, one regression equation was computed from the aggregate data of all five industries and all fifty-eight countries. As anticipated, that equation was insignificant at the 0.1 level. However, as we also anticipated, when a regression equation was computed for each of the five industries, each equation was significant.

A test of equality of the five regression equations across industries yielded an F-ratio of 3.014 which was significant at the 0.0002 level. This finding suggests the RCA of each industry is determined by different national and industry attributes. Further, the significance of the individual regression equations suggests the selected national attributes and industrial characteristics are relevant predictors of RCA.

Two regression techniques were used in search of the best linear model for each industry. Step-wise regression was used first. The F-to-enter was set at F-value = 1 and the F-to-remove was set at F-value = 49. All the variables selected in the forward stepping were then used in an all-possible regression analysis to build the best linear model for each industry. Multiple R-squares were .49 for the Technologically Emerging, .31 for the Capital Intensive, .23 for the Labor Intensive, .15 for the Technologically Maturing, and .23 for the Food/Beverage/Tobacco industries.

We also assessed the relative RCAs of popular groups of countries: Developed (DC), Newly Industrializing (NIC), and Less Developed (LDC). Each group was found to have a revealed comparative in at least one of the five newly clustered industries. NICs and LDCs had an advantage in the Labor Intensive Industry, NICs and DCs had an advantage in the Capital Intensive Industry, NICs had an advantage in the Technologically Maturing Industry, DCs had an advantage in the Technologically Emerging Industry, and the LDCs had an advantage in the Food/Beverage/Tobacco industry.

### **SUMMARY AND DISCUSSION**

As expected when all the data for all 37 ISIC manufacturing industries are treated as one industry, the overall multiple regression equation explains only about six percent of the variance and is significant only at the 0.15 level. However, as we also expected, the equations for the individual industries each explain more variance and are each significant at the 0.09 level or better. The equation for the Technologically Emerging industry explains about half of the variance in RCA and is highly significant. These overall findings strongly indicate that a search for competitive advantage in manufacturing is more likely to be fruitful if we first reclassify the ISIC manufacturing into industries reflecting technology intensities.

As we suggested earlier, the continuum conceptualization of labor and capital is frequently useful and plausible but it is virtually always insufficient to describe modern manufacturing processes. It is becoming essential that we think in terms of knowledge intensity. We need to search for competitive advantage in terms of knowledge. We should think in terms of knowledge replacing either or both capital and labor. And that knowledge is manifested in a rather widely and loosely used

term, technology. Below, each predictor (independent variable) is discussed, one at a time, regardless of whether or not it was one of the variables used in the best linear model for each industry. The measure of each predictor is briefly restated for the readers' convenience.

x1: Ford. Direct (I;DI): O;DI Originated Received)

The FDI ratio has a strong positive effect on RCA in the Technologically Emerging industry. This result is consistent with a product life cycle prediction that foreign direct investment serves to maintain the monopoly advantages of the Technologically Emerging industry.

x2: Human Capital: (Seeds and Engineeni/Million Inhabitants)

A negative effect of human capital on RCA was found in the Labor Intensive industry. This finding suggests that a country with relatively few scientists and engineers should compete in exporting Labor Intensive goods.

x3: Technology Advancement: (# of Registered Patents in Force)

Technology Advancement was found to have a positive effect on RCA in the Technologically Emerging industry. As we measured it, technology advancement represents the accumulation of human intelligence.

Looking back at x2, Human Capital, there is no denying that an abundance of human capital is needed for the technology advancement. With this connection, human capital (x2) should be considered as an indirect factor responsible for the effects of technology advancement (x3) in the RCA of the Technologically Emerging industry. The negative effect of human capital on RCA in the Labor Intensive industry and the indirect evidence derived from technology advancement, suggests support for the human skill theory of international trade in the Technologically Emerging and Labor Intensive industries.

x4: Physical Capital: (I: 1981 85 of \$U.S./# of Industrial Employees)

A positive effect of physical capital was found in the Technologically Emerging and Capital Intensive industries. A negative effect of physical capital was found in the Labor Intensive and Food/Beverage/Tobacco industries. This evidence suggests that a country which has an abundance of physical capital has RCA in the Technologically Emerging and Capital Intensive industries but this abundance does not help RCA in the Labor Intensive and Food/Beverage/Tobacco industries.

x5: Demand Dissimilarity: (From Multidimensional Sealing: Euclidean Distance Between the Country's Demand and Demand in U.S.)

Demand dissimilarity did not appear as a predictor variable in any of the models. (Note: In the so-called alternative models of all-possible regression (not reported here), demand dissimilarity had a negative effect on the RCA of the Technologically Emerging industry. The same result was found in the technologically maturing industry by logistic regression analysis (also, not reported here). These alternative findings indicate a domain for the application of intra-industry trade theory because demand similarity only significantly effects the RCA of Technologically Emerging and Technologically Maturing industries and not the Capital and Labor Intensive industries.)

x6: Natural Resources, (inverse of population density),  
and 1/x6, Population Density

Population density was found to have a positive effect on RCA in the Technologically Emerging industry as well as in the Technologically Maturing industry. A positive effect of natural resources was found in the Food/Beverage/Tobacco industry. No significant effect of 1/x6

(population density) was found in the RCA of the Capital Intensive industry. These findings seem noteworthy because population density acts like a common factor of human capital and human labor. Although the significant effect of human capital (x2) on RCA of Technologically Emerging industry is absent, population density (since the sign is negative) seems to take the role of human capital well. Again considering the negative sign, the same inference can be made as to the effect of population density (which provides human labor) on RCA of the Labor Intensive and Technologically Maturing industries. As one would expect, these results confirm that the more natural resources (square km of land per capita) a country has, the higher the RCA of the Food/Beverage/Tobacco industry.

1/x7: Population Density Similarity: (Compared to that of Belgium)

A positive effect of population density similarity (1/x7) was found in the Technologically Maturing industry. This finding provides direct support for Dre'ze's (1960) scale economy theory because the ideal point of the measurement in both our and Dre'ze's study was based on Belgium's population density. Dretze's theory will be discussed more, below.

x8: Product Differentiation: (# of Trademarks - & Service Marks)

A positive effect of product differentiation was found in the Capital Intensive industry. The products produced in the Capital Intensive industry are frequently homogeneous products. Obviously, when possible, the practice of product differentiation in homogeneous products would lead to some monopolistic advantage. The findings provided in this research indicate that, in the Capital Intensive industry, a country which has a greater ability to differentiate its products has a higher RCA.

x9: Energy Intensity: (Watt-Hour/\$ Value of Product)

Energy intensity (x9) has a positive effect on the RCA in the Technologically Maturing industry. However, this result does not provide enough evidence to assess the relationship (substitution or complementary) between capital and energy because no significant effect can be found in the other four industries. This positive relation between energy intensity and RCA reveals that the Technologically Maturing industry not only contains high intensities of labor and capital per dollar of value added but also consumes large amounts of energy in relation to value of the product.

Closer scrutiny of the products included in the Technologically Maturing industry, indicates these products have certain common characteristics. They are intermediate products used as input material for other industries and only rarely serve as consumer goods. They are bulky, homogeneous, and contain a large amount of raw material. This type of industry has been discussed in Dre'ze's scale economy theory. His theory applies to small nations with high population density (like Belgium) that have high concentrations of semifinished industrial goods in their exports. The scale economy is achieved through the international market (rather than domestic market) by manufacturing goods to international standards.

x10: Value-added Ratio: (Value Added/Value of Output)

The value-added ratio had a positive effect in the Capital Intensive industry but a negative effect in the Labor Intensive industry. From this result, it may be inferred that low wages are an advantage in exporting labor intensive products because labor is the major component of production costs in this industry. With respect to the Capital Intensive industry, the more machines and equipment are used, the higher the RCA expected. And more machines and equipment being used, means more depreciation costs will be attached to the value-added. Therefore, a high value-added ratio is concluded to have a positive effect in the RCA of Capital Intensive industry. Through this

reasoning, we can account for the different effects of this value-added ratio on RCA of Capital and Labor intensive industries.

DC, NIC, LDC Economic Development Stage

After dividing the Technologically Maturing industry into two industries, each country group has a RCA in at least one industry.

We found it reassuring to find some economic and, at least on the surface, nonpolitical explanations of RCA. It was also interesting to find that each of the three popular country groups had an advantage in at least one of the five industries. Also, credibility was added to some popular trade theories by showing their consistency with real trade data.

We wish to again emphasize that RCA demonstrates advantages of an industry in a country relative to other industries in that country, not relative to that industry in any other country. Neither RCA nor comparative advantage should be interpreted as a competitive advantage when the competitor is in another country. Hence, this study's models should not be used to predict exports of a particular Industry in a particular nation. Rather, however, these models may be used to predict which industry, within a nation, has the most promise; again, relative to the other industries in that nation.

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## **RECESSION TO PROSPERITY: DYNAMICS, CONSEQUENCES AND STRATEGIC REACTIONS**

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### **ABSTRACT**

*Past recessions have changed the way businesses operate. The past recession combined with the internationalization of the competitive environment has brought about changes heretofore unknown. Changes and improvements in technology, downsizing, and the ability to outsource entire departments have compounded this change. A review of the literature published during the past recession found there was a focus on three primary areas: human resources, management information systems, and strategy. The literature suggests that fundamental changes in all three areas typically improved the organization and enhanced overall performance.*

### **INTRODUCTION**

Industrial organizations in the late 1980's and early 1990's experienced a turbulent and caustic environments brought about by an increase in internationalization and a downturn in the economy. The strategic implications for U.S. firms during this period were predicted to cause changes in the way business was to be undertaken, but not to how the adjustments would be made. Most reorganizations were accomplished through downsizing in the form of layoffs, furloughs, and early retirements.

### **PROBLEMS AND CONSEQUENCES**

Unique to the past recession was the number and type of cutbacks in staff (Cameron 1990). However the challenge of overcoming the negative consequences many times outweighed the benefits of staff reductions. Fewer people generally meant that fewer things were accomplished because of a lack of (human) resources. Productivity declined further when each individual felt that they were next on the lay-off roster. This was compounded by the fact that few companies maintained past practices of "voluntary" rightsizing which replaced older (expensive) employees with younger (cheaper) (Warner 1991).

Similarly, training budgets on the average were also cut by 27% during the 1985-1992 period (Gordon 1991). The excess staff from redundant positions were often terminated without any consideration of unfulfilled opportunities within the organization (Cameron 1991). As a result of the cost-benefit analysis comparing contract labor to company personnel, many managers were and are becoming more willing to opt for the contractor through outsourcing contracts because of the total cost of continuing the relationship with the company employee.

### **MANAGEMENT - LABOR REACTION**

Typically, managements first reaction during a recession is to maintain the status quo (De Greene 1988). The focus of bargaining during a recession shifts from wages and benefits to that of job security. Technology, part-time workers, and contract services (outsourcing) are three areas that many managers look towards to minimize labor cost. Management's willingness to use these newer cost saving strategies have further eroded the union's bargaining power (Reshef 1988).

### **CHANGES IN EMPLOYEE VALUES**

Changes in employees values were also theorized during times of recession (Anonymous 1991). Management's dilemma during this period was to shift the staffs focus from their fears to the mission (Denn 1991). Measures of employee attitude about job security such as absenteeism during the past recession and during the present period has remained at an all time historical low (PRI 1997). Many managers also re-evaluated the security of their present job and searched for a new position with less risk and more security especially as many organizations moved towards team management and outsourcing of non-core functions within the organization (Hersh 1991).

### **CONTRACT SERVICES AND OUTSOURCING**

As a result of cost-cutting efforts during this period, many companies are opting to go the outsourcing route to cover either routine and/or non-core work. The opportunities brought about by outsourcing are several. First, management can balance the work force with the load easier since contracted employees and can be brought on board or dismissed without the headaches or heartaches generally involved in changing permanent staff levels. Secondly, management can focus on core work and more easily determine actual cost to the organization provided by non-core support units. Third, the ability to determine costs and allocate them across different parts of the organization also allow management to consider new structural forms that might enhance the firms overall competitive position. Finding a compatible outsourcing firm, or contract service firm however, is a necessity to management if there is to be successful business and social interaction (Charsley 1987).

### **MANAGEMENT INFORMATION SYSTEMS**

Changes in technology during the past recessionary period meant almost certain unemployment for personnel in the information systems management field. Job requirements changed and caused an elimination of outdated jobs in favor of new combined positions that are filled with individuals who can perform multi-functionary tasks. Questions being asked by end users today are more focused on how to transfer data between programs rather than program operation itself (Buckler 1990). Efforts to control cost during a recession also force more chargebacks to the end users of networks for program support (Salamone 1990). Because of system design, cost will remain constant, but the distribution of cost will be more diversified within the company. This redistribution allows for closer monitoring, control and chargebacks among the different operating units.

### **RECOMMENDATIONS FOR ADAPTING ORGANIZATIONS**

The literature reviewed suggests there are three key areas that successful organizations addressed that helped them overcome the challenges brought about by the past recession. These three areas are: Human Resources - Industrial Relations, Management Information Systems, and Strategy.

### **HUMAN RESOURCES - INDUSTRIAL RELATIONS**

Opportunities to help the company transition are best affected when employees that would normally be displaced are utilized in different job specializations as the company evolves. The challenges of matching resources and skills to job requirements and location are challenging yet profitable for the company (Harris 1991). HR managers must also be a calming influence during the downsizing or transition process (Fusco 1991). Training employees in the art of satisfying the customer through service is paramount. Productivity is enhanced through intensified communications with staff personnel and utilizing staff brain power to meet guest's needs (Denn 1991). Increasing communication flow is critical during times of recession since there are fewer "new" customers.

## STRATEGY

Reviewing the corporate strategy is necessary to determine if the current recessionary environment will overcome the organization's strategy for future success (Brown 1991). The ability to shift the information management system from the company to an outside service company, thereby modifying organizational structure, allows the company to focus on the core business, rather than internal management (Palframan 1991). The review should also include an understanding of the four phases of the business cycle necessary to the development of a sound corporate strategy (DeGreene 1988).

## MANAGEMENT INFORMATION SYSTEMS

Individuals need to master a broader range of skills to minimize the impact of changes in information technology (LaPlante 1990). Many opportunities exist for the MIS entrepreneur to diversify and manage customer and/or data mailing databases (Robins 1991). Personnel reduction must be done carefully so that only the fat is removed and not the muscle and bone to minimize damage to morale and productivity (Freedman 1991). Information systems companies can focus on five key areas in assisting companies in their efforts to emerge from a recession. 1. Provide the company with technology leadership. 2. Track quality and identify opportunities for improvement. 3. Provide the company with a customer profile and improve services. 4. Track costs, review and analyze opportunities for cost reductions. 5. Provide the company paths for active data interchange to keep abreast of changes both within and without the company (LaPlante 1990).

## CONCLUSION

The distinguishing characteristic between the current environment and all previous periods that followed a recession is the increase in international competition. International competition heightens the need for a sound strategy. Many academicians and practitioners need to review the current trends, practices and develop novel solutions usable in this new competitive environment. Many individuals share the same problems, but rarely see the opportunities and advantages recessions bring to the corporations through stress on the organizational system.

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## **ORGANIZATIONAL CHANGE: ACTION OR REACTION**

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### **ABSTRACT**

*This study investigates the manner in which an entire industry (the airlines) responded to a major environmental upheaval—deregulation. Evaluation of results indicated that, for the most part, firms gradually altered their strategies in response to discontinuous change. It further highlighted the tendency to apply a differentiation business unit level strategy during periods of stability and a low-cost strategy when the environment was more volatile.*

### **INTRODUCTION**

In the physical environment, certain areas of land are much more vulnerable to major jolts of nature than others. For example, in regard to earthquakes, those areas that are situated over known faults may eventually be exposed to devastating shocks. Frequently, these land masses experience mild tremors that provide, at best, a reminder of the precariousness of nature. Significantly less frequently, these areas experience devastating earthquakes – earthquakes so cataclysmic that the surrounding land mass is completely reshaped.

The reactions of individuals exposed to the natural environment described above are often mixed. Some people will simply not live in the physical area. Others may elect to ignore the situation totally until it occurs. While still others will prepare themselves for the inevitable knowing they have no option to move. Regardless of their orientation, once the environmental upheaval occurs, everyone is affected and must in some way respond to the event.

The above situation in physical nature may have its counterpart in the business environment. Therefore, the purpose of this study will be to examine just such a situation – the airline industry. For several years the industry should have been well aware of its location over a “fault zone”. The possible degree of protection for the airlines under government regulation was debated by economists, blasted at congressional hearings, and faced daily demands by consumers to be abolished. Eventually, deregulation, like in so many other industries, became a reality in the airline industry in 1978. The “after shocks” lasted several years as the new system was gradually implemented.

### **BACKGROUND**

Considerable attention has been given to those industries that have encountered environmental jolts – those changes that affect the long-term future of the firm and that are so severe in nature that survival may be affected – and especially those that have experienced deregulation (airlines, railroads, banks and hospitals). But as can be gleaned from examination of a bibliography prepared by Stanbury and Tretheway (1987), the vast majority of these have been descriptive or conceptual. A few studies, however, have attempted to add rigor to the strategic management discipline by empirically testing: changes in structure within the trucking industry (Rakowski, 1988) and changes in strategies (Smith & Grimm, 1987) in the deregulated railroad industry; changing strategies (Zajac & Shortell, 1989; Ginn, 1990) or reaction to discontinuous change in the hospital industry (Meyer, 1982; Meyer, Brooks & Goes, 1990); and the influence of stakeholders (Klein, 1987), hub-and-spoke routing (Mcshan, 1986), and the antecedents of performance (Chan, 1986) in the deregulated airline industry.

Although each of these mentioned studies should be praised for their concerted attempt to add scientific rigor to the study of firms faced with environmental upheavals, each had its own shortcomings. One very glaring omission in each of these studies was the lack of consideration for time as a mediating variable. Clearly, the influence of time

in strategic orientation must be addressed. Closely associated with this concept of time are various foci provided by research in the area of organizational change.

Although it is not within the scope of this study to provide a complete review of organizational change literature, the issue of change and strategy (over time) is truly important. Two contrasting viewpoints account for most of the debate in this area and will be examined briefly to lay the foundation for later discussion. These two traditional approaches have been characterized as the “inertia” school of thought and the adaptation theories.

### **Rational Adaptation**

This group of theorists, whose foundations can be traced to the works of Ansoff (1965), Cyert and March (1963), and Pfeffer and Salanik (1978), suggest that organizations are poised for change and can readily respond to disequilibrium. Therefore, based on opportunities and threats that emerge within the environment, the organization easily shifts its focus (Charkravarthy, 1982; Tushman & Romanelli, 1985). Or as Ginsberg (1988) suggests: organizations realize something is wrong; decide whether they need to change; and, evaluate the resources necessary to make them change. Other notable contributions in this school include research in the area of resource dependency theory (Pfeffer & Salanik, 1978), contingency theory (Miller & Friesen, 1984), organizational learning theory (Argyris & Schon, 1981), strategy theory (Ginzberg & Buchholtz, 1990).

### **Inertia**

At the other end of the continuum regarding strategic change are the population ecologists that support the notion that firms are restricted by inertia in making change. Sources of this inertia might be found within the organization or within the external environment. In addition, structural characteristics significantly influence this condition.

Numerous researchers have argued that organizations naturally resist change. This resistance has been referred to in the literature as: logical incrementalism (Quinn, 1980); strategic momentum (Miller & Friesen, 1980); mobility barriers (Porter, 1980); habit (Tushman & Romanelli, 1985); or, most commonly – simply inertia. The theorists that support this view of strategic choice do not contend that organizations fail to change, but, rather, that change will be “relatively modest and incremental” (Fredrickson & Iaquinto, 1989, p. 518). Rationale for this approach to change has ranged from old age of the organization (Stinchcombe, 1965), large size (Evans & McQuillan, 1977; and Scott, 1987), change in power bases (Pfeffer & Salanik, 1978), size breeds inflexibility (Aldrich, 1979), or complexity of older firms (Scott, 1987; Galbraith, 1973; Hannan & Freeman, 1984).

### **Other Approaches to Change**

Although much of the debate regarding organizations’ ability to change has centered on the two before-mentioned schools of thought, new and insightful paradigms are beginning to emerge in the literature. Two of these new paradigms deserve brief discussion.

Institutional theory is suggested by Ginsberg and Buchholtz (1990) as an alternative to these two approaches of interpreting organizational change capability. According to these authors, unlike the two better known schools of thought institutional theorists emphasize the role forces within the firm that “enable” change. As other supporters (Singh, Tucker & House, 1986; Singh, House & Tucker, 1986) suggest, where the change is occurring (at the core or at the peripheral of the firm) controls the difficulty of change.

Paradox, an equally interesting and insightful approach to understanding strategic change, is supported by researchers such as Cameron (1986) and Bourgeois and Eisenhardt (1988). The central theme of using paradoxical situations to enhance the performance of the organization is approached quite similarly by both groups of authors.

Cameron, for example, suggests that effective organizations are characterized by the simultaneous operation of contradictory, incompatible and mutually exclusive elements. In effect, these contradictory elements allow for the ability to be flexible when necessary while also being rigid in problem resolution if required. Or, as Cameron (1986) points out:

*Paradox . . . implies mutually exclusive opposites, not opposites that are mutually reinforcing. Loose coupling in an effective organization, for example, does not cause a reaction of more tight coupling, nor of even more loose coupling. Instead, simultaneous, equally compelling, contradictory attributes exist which create both balance and dynamism. Loose coupling and tight coupling exist . . . in effective organizations. Unless such a paradoxical condition exists in organizations, dysfunctional cycles emerge that lead to ineffectiveness. (p. 546)*

In a similarly interesting research effort, Bourgeois and Eisenhardt (1988) contend that the most successful organizations are those that can seek risk and innovation, but execute a safe, incremental implementation (a clearly paradoxical approach). In fact, the recommendation derived from their research highlights the obvious paradox:

*Plan carefully and analytically, but move quickly and boldly. CEOs should be decisive, but also delegate. Choose and articulate an overall strategy quickly, but put in place only as it becomes necessary (p. 833).*

It should be quite apparent that there are major similarities between the concepts found in the institutional theories and those supported by paradox. It should be equally clear, and come as no surprise, that both sets of theories closely align themselves with contingency theories surrounding strategic groups.

## THE AIRLINE INDUSTRY

If examining the airline industry, it is important to address several areas. These are: (1) the environment under regulation; (2) the purpose or rationale behind the call for regulation; (3) the environment after deregulation; and, (4) the current environment within the industry.

It is critical to point out, before examining these issues, that the purpose of this study is not to argue whether the system of regulation or deregulation is best. Rather, the issue to be made is that deregulation did occur and this event represented a major upheaval in the competitive environment within the industry. The significance of the change was so drastic that it required substantial changes by the existing firms in order to compete. Further, even though all firms were forced to adapt to compete, different firms responded uniquely to this phenomenon. How these firms responded and when (the influence of time) are the issues of concern here.

A final point needs to be made before beginning discussion on the history of the airline industry. It is not within the scope of this study to capture all of the details associated with either the regulated or deregulated industry. For the reader that wishes a more comprehensive treatment of the subject, numerous books have addressed the issue. For example, works by Fruhan (1972) on the regulated and Bailey, Graham and Kaplan (1985) on both the regulated and deregulated industry provide an exhaustive treatment of the airlines.

### Under Regulation

Between the years of 1938 up to the signing of the Airline Deregulation Act (ADA) no new major national or national carrier entered the market. Profits were typically guaranteed through the assignment of profitable routes or through direct subsidies to pursue less than attractive routes. The traditional manner to compete during this period was to focus on equipment quality, service, and routes. If losses did occur, the government was there to bail the firm out.

### Why Deregulation ?

The original founders of airline regulation based the need of protection for the industry on three broad principles. These were, according to Bailey, Graham, and Kaplan (1985): (1) a governing agency is needed to design the route network; (2) some firms might need to be subsidized to pursue unprofitable routes; and, (3) competition would be counter-productive. Those supporting deregulation suggested that a free market would better serve the consumer. According to Curtis (1990), this would translate into lower fares and reduced government costs.

## **Deregulated Industry**

The supporters of deregulation won out with the passage of the ADA of 1978. The competitive environment faced major change as a result of this new legislation. New economic variables came into play. Removal of both entry and exit barriers caused established firms to re-evaluate their competitive position. No longer could these carriers rely on CAB regulation to isolate them from the pressures of the market place. Three areas seemed to dominate the concerns of established carriers within the industry: pricing policies; route structures; and costs. These were the same areas that had little impact on the pre-deregulated industry.

Just as the proponents of deregulation envisioned, new entrants came into the market with substantially reduced fares. These carriers' ability in ". . . selecting high-volume routes, lower wage cost, two-man cockpit aircraft, low-cost airport facilities, and meager marketing expenses" (Klein, 1987, p. 64) severely rocked the established carriers.

## **The Current Environment**

Has deregulation accomplished those goals originally envisioned by the early proponents for change? Have prices decreased? Have services increased? Have barriers to both entry and fair competition been eliminated? There are numerous authorities that suggest the desired goals of deregulation have not been met (Brenner, 1988; Rakowski, 1990; Curtis, 1990). Even some of the strongest supporters of deregulation (Kahn, 1988a, 1988b) and those willing to rationalize some of the current problems (Levine, 1987; Bailey & Williams, 1988) would be hard pressed to defend all of the aspects of the new airline industry in the mid-1990s.

Yet another authority, Bleeke (1990), suggests that this situation is typical of what can be expected as the second cycle of deregulation. The first cycle (occurring the first five years after initiation of regulatory removal) is characterized as the reactionary period where: (1) large numbers of new entrants enter the market; (2) levels of profitability of the industry, as a whole, decreases; (3) attractiveness of business segments change; (4) profit variability widens between the best and worse performers; and, (5) numerous mergers and acquisitions are initiated. The next five years are then seen as a period of retrenchment for the original members.

## **THE AIRLINE MODEL**

Before offering propositions for testing, it is important to provide a theoretical model of the impact of environmental jolts on strategy alignment (see Figure 1). One way to accomplish discussion of this model is to divide it into three segments. A convenient way to make these divisions is by changes in the stability of the environment. That is, the environment follows a period of stability (T1), becomes very volatile due to the jolt (T2), and then should return to a rather stable condition once the industry has adjusted to the dislocation situation (T3).

## **METHODOLOGY**

### **Sample**

The sample in this study consists of all the major national and international carriers that had operations from 1978 to 1991. A considerable amount of activity in the area of mergers and consolidations did occur during this period. Therefore, only those carriers that show continuous operations during this period will be included. Archival data for this study were obtained from "Customized Form 41 Aviation Reports". These reports include financial and operational information on all carriers in the sample.

### **Time Periods**

To account for as much of the influence of time on strategy choice as possible, three separate and distinct time periods will be used. Measurements will be taken at: Pre-deregulation – that period before implementation of change associated with ADA; Early-deregulation – six years after initial implementation of the act; and, Late-deregulation – ten years after initial legislation. Rationale can be found both from a theoretical as well as intuitive position for these choices.

## Data Analysis

Discriminant analysis was determined to be an appropriate statistical technique to guide the majority of the data analysis in this preliminary inquiry of the airline industry. As suggested by Klecka (1980), “discriminant analysis is a statistical technique which allows the researcher to study the differences between two or more groups of objects with respect to several variables simultaneously” (p. 7). In addition, its ability to correctly classify statistical units into groups, thereby, understanding group differences (Hair, Anderson, Tatham, & Grablovsky, 1979), makes discriminant analysis a logical choice.

A number of strategy variables were identified and collected that attempt to capture the concept of strategic orientation in relation to this inquiry’s proposed typology: Differentiation; Low-Cost; Combination Differentiation/Low-Cost (Wright, Kroll & Parnell, 1996). These variables included: fuel efficiency (fuel & oil/block hour); operational efficiency (total operational costs/aircraft hours flown); crew costs (pilots’ salaries/passenger revenue); capital intensity (property, plant & equipment/revenue passenger miles); reliance on debt (long-term debt/total assets); service (aircraft departures); promotion (promotional costs/total operational revenue); and, utilization (available seat miles/revenue aircraft miles flown).

Variables that have been previously recognized by the literature as characteristic of these orientations were selected for reduction. Reduction was deemed necessary to meet variables/sample size limitations inherent in the discriminant analysis model (Hair et al., 1979). As Hair suggests “. . . as a general rule there should be four or five times as many observations as there are variables to be analyzed” (p. 219).

Factor analysis was selected as the method for variable reduction. As one of the four purposes of this model, Hair credited it the ability to “identify appropriate variables for subsequent regression, correlation or discriminant analysis from a much larger set of variables (p. 219).

The specific model of this statistical technique that was used is common factor analysis. The process in this study involves selecting “surrogate variables”, examining the factor matrix and then choosing the variables with the highest loading for a particular dimension. Even though this method allows for some subjectivity, this flexibility is used conservatively in light of the prior research done on strategy variables. After closer observation of the sample size, however, it was determined that principal components method was more appropriate. In addition, the principal components method using varimax rotation was selected on its ability to reduce the number of initial variables with a more appropriate smaller set of orthogonal factors for subsequent data analysis (Miller & Doyle, 1987), and due to its reproducibility for future research (Churchill, 1979).

Discriminant analysis was then performed on both sets of independent variables using the simultaneous method. This method (rather than step-wise method) was selected because the intent of the study is to examine all independent variables concurrently and not to focus on “. . . intermediate results based on [only] the most discriminating variables”(Hair et al. , 1979, p. 95).

With this analysis complete, the central hypothesis of whether there is a significant relationship between the environment, strategy and performance variables can be tested. If this discriminant function, as tested by the multivariate F-test, is significant at a .05 level, further analysis would be of little value. If, on the other hand, results suggest that this discriminant function would not occur by chance 95% of the time, testing of the secondary hypotheses – significance of the individual independent variables can be accomplished. The appropriate tests in this case are univariate F-tests – examination of the group means of all variables.

The median split method was used to group two levels of performance for each firm – high versus low performers. Initially, two performance variables were to be used – an accounting based and an operational based. Examination showed for this sample no difference existed between the two, therefore, the accounting based measurement was used.

## Research Questions

As mentioned previously, three basic questions needed to be answered as the basis for this study. First, does this volatility of the environment affect strategic choice? Second, do firms change strategies in responses to environmental upheavals? Finally, are all strategies equally successful in various environmental contexts?

Based on these concerns, our research questions were:

- Ho1: Firms in a stable environment will choose a strategy that requires more risk – Differentiation
- Ho2: Firms will adapt to major environmental upheavals
- Ho3: The low-cost strategy will be more successful during periods of volatility

## RESULTS

### 1979 Results

The first section of research results involves the measurement period 1979. Even though the ADA had been passed, few firms had adjusted their operations. Firms were positioning themselves to enter the market, yet the major carriers had not felt the full impact of this point.

Factor analysis of these variables yielded three factors which satisfied the “eigenvalue of greater than 1” criteria – that value necessary to be included as a factor (Kim & Mueller, 1978). These three factors accounted for 83.8% of the correlation between variables and factors. Table 1 shows the eight variables and their loading on the three factors. The .50 cut-off level criteria allowed for unambiguous assignment of all items to one of the three factors. As was expected, these variables intuitively (as well as based upon prior research) could be viewed as correlating with the typology established for strategic groups. This is to say, an application of Porter’s generic strategies of differentiation and low-cost, and a combination strategy of differentiation/low-cost (Wright, et al., 1996) were utilized.

The outcome of factor analysis provides reasonable support to the construct validity of the variable selection in the study. The reasonably high portion of overall variance accounted for, and the assignment of all of the variables to only one factor having intuitive sensible meaning suggests that these three independent dimensions effect strategic operations in the airline industry. These positive results should, however, be viewed with caution considering the small sample size. In fact, the Kaiser-Meyer-Olkin measure of sampling adequacy score provides statistical confirmation of this already recognized limitation.

The data was initially analyzed using both the direct and step-wise methods of discriminant analysis. Attempts at using transformation of various variables provided no improvement of the model and, therefore, will not be discussed further. Finally, the hold-out method of discriminant analysis was used to improve the validity of the classification results. Next Fisher’s Linear Discriminant Functions for the two groups “high performers” and “low performers” was computed. A Wilk’s Lambda statistic was computed in order to determine the degree of group differences (separation) over several variables. A value of .629 was derived which failed to show significance at the .05 level. In addition, the Box’s M score which measures the homogeneity of variance/covariance structures showed very little robustness with a value of 94.85. Even though further analysis can not be statistically significant, it can provide insight from an intuitive nature. For example, review of Fisher’s Linear Discriminant Function suggests that a combination strategy might negatively affect performance during this period.

TABLE 1:  
RESULTS OF FACTOR ANALYSIS -- 1979

Factor Name	Combination	Low Cost	Differentiation
Variable:			
Fuel Efficiency	.943		
Op. Efficiency	.945		
Crew Cost	.918		
Capital Intensity	.826		
Reliance on Debt		.889	
Service Level		(.889)	
Promotion			.588
Utilization			(.823)

- 1984 Results

As mentioned earlier, the airline industry experienced significant changes after deregulation. Since most airlines avoided major diversification (Byrnes, 1985), a primary means of growth was through mergers and acquisitions. A substantial amount of activity in this area was occurring during the second measurement period under consideration. Once again, this created major gaps in constructing a consistent sample.

The same variables used for principal component factor analysis used for the time period 1979 are once again applied in 1984. Although the Kaiser-Meyer-Olkin measure of sampling adequacy once again indicates that reliability can not be placed on the procedure due to the small sample size, the results still provide some valuable insights.

As Perreault and Barksdale (1979) point out, the use of factor analysis in social science studies, over different time periods, often reveals conflicting results. So was the case in this study. The first obvious difference can be seen in the factor loading as shown in Table 2. Emphasis on variables had changed as well as the clear-cut separation between variables. In fact, interpretation of results appeared to make minimal intuitive sense. This was, however, something that had been expected. The influence of deregulation had finally been felt within the industry (Chan, 1986). Firms could no longer afford to focus specific attention to low-cost or differentiation. What was obviously needed was the ability to control costs, yet, at the same time, the capability to distinguish firms from many of the new entrants in the market (combination low-cost/differentiation).

What the results do suggest is that firms did, in fact, alter their strategic focuses. For example, the use of long-term debt became less attractive as a standard operating procedure; controlling costs through efficiency became a necessity, and; size lost its overwhelming level of importance.

TABLE 2:  
RESULTS OF FACTOR ANALYSIS -- 1984

Factor Name	Combination	Low Cost	Differentiation
Variable:			
Fuel Efficiency	.989		
Op. Efficiency	.852		
Crew Cost		.875	
Capital Intensity	(.882)		
Reliance on Debt			.596
Service Level		.957	
Promotion	.814		
Utilization	.924		

- 1989 Results

As was previously mentioned, it was expected that after eleven years from the signing of the ADA, firms would have adapted to the new environment and settled in with their set strategic orientation. Although statistical application will not be able to settle any of the research questions, observation of both factor analysis should provide some insights.

As was the case for the previous two periods, factor analysis was performed on the final time period –1989. The same eight variables were used in this analysis with the results being reported in Table 3. Once again, all variables loaded in one of the three prescribed factors. There were three variables with eigenvalues in excess of one. The most interesting findings within this analysis was the fact that firms once again appear to have altered their strategic focus. It appears, however, that they have not returned to the pre-deregulation way of doing business. Less of an emphasis on service was observed, while an even higher concern for efficiency seems to dominate the combination strategy.

TABLE 3:  
RESULTS OF FACTOR ANALYSIS -- 1989

Factor Name	Combination	Low Cost	Differentiation
Variable:			
Fuel Efficiency	.969		
Op. Efficiency	.977		
Crew Cost		.940	
Capital Intensity			(.712)
Reliance on Debt		(.786)	
Service Level	.518		
Promotion			.746
Utilization			.859

## DISCUSSION

Even though the size of the sample provided severe limitations, and precluded drawing conclusive statistical significance from the study, some very interesting insights were derived. Limited support was given for firms utilizing a differentiation strategy during periods of stability and low cost during periods of volatility. Further, it became quite obvious that firms do, in fact, change strategies in light of environmental upheavals. It was further supported that firms do not quickly change in light of expected changes in the environment. Limited support was also given for the concept that firms with combination strategies out-perform other strategy options.

Even though there were numerous limitations associated with this study (i.e. limited sample size, numerous consolidation, self-reported data), as a preliminary inquiry considerable progress was made. Hopefully, researchers can use this study as a platform and continue the investigation utilizing time as a mediating variable.

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## POLITICS AND POLITICIANS

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### ABSTRACT

*While some recent research (Spitzer, 1995) might suggest that politics serves as a major factor in demotivating employees, there is little doubt that there will be a "political side" to every organization. This study explores the relationship between Jungian psychological type, perceptions of workplace politics, and demographics to individuals' perceptions of themselves as organizational politicians. The results indicated psychological type and various perceptions of workplace politics were correlated with reported use of alliance building tactics in such a way as to suggest role congruence and cognitive consistency. The results also indicated sex and perceptions of workplace politicization were correlated with the reported use of aggressing tactics. Implications for further research are discussed.*

### INTRODUCTION

One way to view organizations is as political arenas (Mintzberg, 1985). In contrast to the rational view portrayed by the bureaucratic perspective (Brass & Burkhardt, 1993; Ibarra, 1993; and, Lenway & Rehbein, 1991), this view highlights the more dynamic facets of organizational life: the conflicts, power struggles, and ethical questions which arise (Morgan, 1986). Assumptions about human behavior also are dynamic. Through activities not formally sanctioned by organizational design (Vredenburg & Maurer, 1984), individuals attempt to create new social realities (Feldman, 1988), particularly those realities concerned with the distribution of advantages and disadvantages (Farrell & Peterson, 1982). The political arena thus is one in which individual factors may play an important role.

But, who are the organizational politicians and what is their experience in this role? A number of studies have investigated perceptions of organizational politics (Gandz & Murray, 1980; Madison, Allen, Porter, Renwick, & Mayes, 1980; Welsh & Slusher, 1986) and at least two studies (Allen, Madison, Porter, Renwick & Mayes, 1979; Zahra, 1984) examined managers' perceptions of the characteristics of effective political actors. Less frequently examined are individuals' perceptions of themselves as organizational politicians (Gandz & Murray, 1980).

As should be obvious from the above comments, the closer the "individual" is associated with the political activity, the less amount of research there is. A possible explanation for the diminishing attention might rest with the perceived instrumentality/acceptability of politics in general. It is much easier to view an external organization as a political arena than one's self as a political actor. The purpose of this study, therefore, was to explore individuals' perceptions of themselves as politicians in their work settings and the relationship of individual factors to these perceptions.

### THEORY AND HYPOTHESES

A number of models have been proposed which address the question "Who is the organizational politician?" (Klein, 1988; Porter, Allen, & Angle, 1981; Vredenburg & Maurer, 1984; Zahra, 1989). And, though these models differ in specific features, each emphasizes three things. First, the organizational politician is an individual who decides to engage in political activity. Second, the individual's position in the organizational hierarchy provides a

"stage" upon which the individual chooses to enact the role of political actor. Third, the individual's personality, needs, and perceptions about organizational politics will affect the individual's decision to take on the role of political actor.

This study focuses on the individual characteristics proposed to predispose individuals to take on the role of political actor. This study thus does not examine any one specific model but explores hypotheses which are common to a number of models in the literature. In particular, this study examines the extent to which personality and perceptions about organizational politics are related to individuals' perceptions of themselves as political actors. Variables related to one's position in the organization also are included for control purposes.

### **Personality and Politics**

Most models of organizational politics propose that an individual's personality will be related in some way to political activity at work. Indeed, personality has been described as the "core of the bureaucratic politics mix" (Allison, 1969: 70) and a variety of personality factors (mostly in isolation) have been proposed to characterize the organizational politician, such as machiavellianism (Ferris & Kacmar, 1992) or even childhood experiences (Forsberg, 1993). For this study, Jung's (1971) theory of psychological types was selected to study the personality of political actors.

Three considerations influenced the choice to use Jung's typological theory. First, Jung's theory provides a fairly comprehensive way of describing conscious psychological functioning (Kleiner, 1983). The various psychological attitudes and functions correspond to different ways of perceiving, deciding about, and interacting with one's work setting (Myers & McCaulley, 1985). Second, prior research by Kilman and Thomas (1975) has demonstrated relationships between psychological type and conflict handling (a topic closely related to organizational politics). Finally, Jung's theory, as measured by the Myers-Briggs Type Indicator (MBTI) increasingly is being used in management training and development programs (Moore, 1987). The results of this study thus may be usefully applied in those settings where an understanding of the relationship between one's psychological type and political behavior at work is of interest.

Jung (1971) originally proposed eight psychological types. These eight types result from a combination of an attitude (extraversion or introversion) with a function of perception (sensing or intuition) or a function of judgement (thinking or feeling). Myers (1980) refined Jung's formulation by explicating another attitude (judgement or perception). The potential relationship of each attitude and function to political activity is discussed in the following sections.

Extraversion (E) and introversion (I) represent the flow of psychic energy (attention, interest, etc.) for an individual. Extraversion is an orientation to the objective world of people, activities, and things. Introversion is an orientation to the subjective world of concepts and ideas. At work, extroverts are likely to prefer activities that impact the objective world whereas introverts are more likely to prefer solitary pursuits involving the subjective world (Myers & McCaulley, 1985).

The nature of political activity in organizations seems inherently extraverted. Behaviors perceived as political (developing coalitions, managing impressions; Allen et al., 1979; Frost, 1987) correspond closely with the extravert's preferred work behavior. Moreover, effective political actors are perceived as extraverted (Allen et al., 1979). In contrast, introverts appear to avoid the political arena. To the extent that "the management of conflict may be intensely political" (Hardy, 1987), and given that introverts avoid conflict (e.g., Kilmann & Thomas, 1975), then introverts may be expected to avoid political activity. This rationale leads to the hypothesis (HO1) that a preference for extraversion will be positively related to reported frequency of political activity.

Sensing (S) and intuition (N) represent perceptual preferences. Sensing types prefer to use their senses to determine the concrete facts of the immediate situation. In contrast, intuitive types prefer to perceive in more holistic ways and use their intuition to establish the abstract meanings and possibilities of a situation. At work, sensing types are expected to prefer the status quo whereas intuitive types are suggested to be the change agents (Myers & McCaulley, 1985).

Research suggests political actors are likely to have preferences for intuition. Evered's (1976) study of MBA students, for example, demonstrated a positive relationship between a preference for intuition and degree of organizational activism defined as "the expenditure of time and energy on activities (within the organizational system) that are not prescribed or explicitly required by the system" (p. 270). Defining activism as informal behavior

corresponds with various definitions of organizational politics as informal behavior (e.g., Vredenburg & Mauer, 1984; Frost, 1987). Thus, to the extent that organizational activism actually is political behavior, we hypothesize (HO2) that a preference for intuition will be related positively to reported political activity.

Thinking (T) and feeling (F) are alternate ways of judging. Thinking types prefer to use impersonal and logical analysis. Feeling types, on the other hand, prefer to use personal and subjective values. At work, thinking types are proposed to be unemotional, analytical, and capable of making tough decisions about people, whereas feeling types are more people oriented, encouraging harmony in personal relationships (Myers & McCaulley, 1985).

Research suggests thinking types, more than feeling types, are likely to be political actors. For example, a preference for thinking has been found to be related to a dominating or forcing style of handling conflict (Chanin & Schmeer, 1984; Kilmann & Thomas, 1975). This conflict-handling style, which involves the use of power to resolve conflicts to one's advantage (Rahim, 1983), corresponds closely to definitions of political activity which characterize such activity as a process of influence management which often takes place in conflict situations (e.g., Pfeffer, 1981). Characterizing political activity as impersonal, calculated, and used to create impressions of rationality and logic (Allen et al., 1979; Mayes & Allen, 1977) also corresponds with characterizing thinking types as impersonal, analytical and logical (Myers & McCaulley, 1985). Thus it was hypothesized (HO3) that a preference for thinking will be positively related to reported frequency of political activity.

The judging (J) and perceptive (P) attitudes represent alternate preferences for dealing with the outer world. At work, judging types show a preference for managing and ordering the environment, whereas perceptive types show a preference for adapting to changing situations.

The relationship of the J and P attitudes to political activity is not as clear as for the other attitudes and functions. First, there are few, if any, empirical results which suggest any relationship. Second, relationships at the conceptual level are mixed. The judging type's preference for controlling the environment may correspond with political activity to the extent this activity represents management of the environment. On the other hand, the perceptive type's preference for adapting to changing situations may make the perceptive type an appropriate candidate for the uncertainty inherent in the political arena. Given these mixed considerations, a fourth (null) hypothesis (HO4) is that there will be no significant relationship between judging-perceptive preferences and reported frequency of political activity.

Jung's theory is a typological theory (Myers & McCaulley, 1985). As such, it also proposes interactions among attitudes and functions. Specifically, Jung proposed that an attitude (E or I) will combine with a function (S, N, T, or F) to form a psychological type. Thus, for example, a preference for extraversion may combine with a preference for intuition to produce the extraverted intuitive (EN) type.

Available theory suggests two hypotheses involving interaction effects. First, preferences for extraversion and intuition were hypothesized to combine to explain political activity. Jung (1971) originally included politicians as one example of the EN type along with entrepreneurs and speculators. Describing the EN type as a change agent (Myers & McCaulley, 1985) also corresponds with the political behavior attributed to the more recently described intrapreneur, who is willing to break rules "so as to pursue the development of new . . . ideas and products . . ." (Frost, 1987, p. 519). Second, preferences for intuition and thinking were hypothesized to combine to explain political behavior. This combination is suggested by Evered's (1976) study of organizational activism. His results indicated NT types engaged in more activism than SF types.

### **Perceptions and Political Activity**

The decision to engage in political behaviors at work may also be influenced by various perceptions related to such activity. Three specific perceptions emphasized in models of organizational politics are discussed here.

One perception emphasized in the literature concerns the perception of the extent to which political behavior is normatively sanctioned, ethical, or acceptable (Klein, 1988; Vredenburg & Maurer, 1984; Zahra, 1989). In general, models of organizational politics propose that individuals will be more likely to behave politically if they perceive such behavior as being acceptable. Underlying this proposition, in part, is the rationale of cognitive dissonance (Festinger, 1957) which proposes that individuals cannot long maintain inconsistent attitudes and behaviors. Such inconsistency is experienced as uncomfortable, and individuals are hypothesized to seek consistency by changing the relevant attitudes and/or behaviors. These theories thus suggest that individuals who engage in political activity at work are

more likely to have attitudes that such behavior is acceptable or appropriate (Gandz & Murray, 1980; Klein, 1988). This rationale leads to the next hypothesis (HO5) that: Perceptions that workplace politics are acceptable will be positively related to reported frequency of political activity.

In addition to perceptions about the acceptability of political behavior, models of organizational politics also propose individuals are more likely to act politically if they perceive such behavior as instrumental. This proposition derives from expectancy theories of work motivation (Vroom, 1964) which suggest, in part, that people are more likely to behave in a certain way when that behavior is perceived to be instrumental. Perceptions that the behavior is not instrumental does not lead to motivation. The expectancy theory perspective thus suggests the following hypothesis (HO6): Perceptions that political activity is instrumental will be positively related to reported frequency of political activity.

A third perspective concerns the perceived prevalence of political activity in one's work environment or perceived workplace politicization (Gandz & Murray, 1980). Klein (1989) in particular has emphasized the importance of this perception in questioning the inevitability of workplace politics. According to his argument, politics is not an aspect of organizational life which naturally arises out of such factors as power motives or scarce resources. Rather, it is just as likely that "political behavior responds to the political behavior of others" (p. 5). Individuals thus may engage in political activity more frequently when they perceive such activity to be a necessary or appropriate response to the political activity of others. This rationale provides the basis for our final hypothesis (HO7): Perceptions that one's work environment is politicized will be positively related to reported frequency of political activity.

Demographic factors may be related to political activity in work settings. Previous research shows, for example, that organizational level is related to various perceptions of organizational politics (Madison et al., 1980; Gandz & Murray, 1980). Other research suggests sex may be related to conflict-handling style (Rahim, 1983) and the use of power (Mainiero, 1986) and thus, to political activity. A more recent study (Ferris, Frink, Bhawuk, Zhou & Gilmore, 1996) suggests that diversity of the work force moderates the understanding of this activity. Whether or not these factors are related to political activity has not been fully explored. Four demographic factors were, therefore, included in the present study for both exploratory purposes and as control variables: age, sex, organizational level, and years in current position.

## **METHODS**

### **Subjects**

The sample consisted of 183 individuals participating in educational or training and development programs. All participants were employed. Some participants did not fully complete all research materials and, thus, different sample sizes were involved at different stages of data analysis (discussed below). The same sample (n=148) was used, however, for all tests of the research hypotheses. The average age of this sample was 29.8 years; 59% were male. The breakdown according to organizational level was: CEO (11%), top level manager but not CEO (5%), middle manager (24%), entry-level manager or supervisor (17%), and nonmanagerial (43%). The average time in present position was 3.4 years.

### **Measures**

Few validated measures exist to measure perceptions of organizational politics and political activity (Zahra, 1989). Thus, measures were created by factor analyzing responses to questions thought to measure constructs of interest. Results from the factor analyses then were used to create summated scales with mean responses used for data analysis. Specific procedures used and results are discussed in the following paragraphs.

Participants completed a five-part questionnaire measuring perceptions of organizational politics and demographics. One section asked: "How often do you use the following tactics in your work situation?" The eight tactics listed were adapted from Allen et al.'s (1979) list of tactics described as political tactics by their sample of managers. Participants in the present study indicated how often they used each tactic on a scale ranging from never (0) to often (5).

Responses (n=181) were factor analyzed using principle axis factoring. An examination of the scree plot suggested two factors which were rotated using a moderately oblique rotation. Table I shows the results.

TABLE 1:  
FACTOR ANALYSIS OF POLITICAL TACTICS ITEMS

TATICS	FACTOR LOADINGS	
	I	II
Attacking or blaming others: e.g., making a rival look bad in the eyes of influential organizational members. . .	.07	<u>-.64</u>
Use of information: e.g., withholding or distorting information or overwhelming another with information. . .	.16	<u>-.66</u>
Creating & maintaining a favorable image: e.g., promoting self interest; includes dress, hair style, appearance, etc. . .	.40	.10
Developing a base of support: e.g., getting others to understand one's ideas before a decision is made; setting up a decision before a decision is made. . .	<u>.53</u>	-.11
Praising others: e.g., "buttering up the boss" or "apple polishing" to establish good rapport. . .	<u>.57</u>	-.24
Coalition formation: e.g., developing strong allies, forming power coalitions, and associating with influential people. . .	<u>.75</u>	-.33
Use of rewards, coercion, and threats in influencing others: e.g., promising a raise in salary or threatening to fire someone in order to gain control over them. . .	.25	<u>-.57</u>
Use of persuasion: e.g., attempting to persuade others to think as you would like. . .	<u>.54</u>	-.44
Eigenvalue	2.69	1.53
% Variance	<u>33.60</u>	<u>19.10</u>

Note: Loadings are underlined for those items used to create scales

The first factor is defined by tactics that involve interpersonal communication (praise, getting support for ideas) and coalition formation. In contrast, the second factor is defined by seemingly more negative tactics such as blame, coercion, and information distortion. In general, the two factors seem to differ in terms of the intent of the tactics (enhance or exercise power) and the nature of the relationship with the target of the tactics (associational or competitive). Such tactics as using praise to establish good rapport and developing power coalitions (Factor 1) suggest the enhancement of power through developing political relationships. In contrast, such tactics as blame, coercion, and information distortion (Factor 2) suggest the exercise of power in a highly competitive situation. Though both sets of tactics are assertive, the latter seem more aggressive or extreme. Given these considerations, the first factor was labeled alliance building (coefficient alpha = .66) and the second was labeled aggressing (coefficient alpha = .65). Perceptions of the acceptability of workplace politics were measured with 13 semantic differential items. Participants indicated their perceptions using a scale scored from 1 to 7, with higher scores indicating greater acceptability. Factor analysis (n=179) suggested one strong factor (coefficient alpha = .92). The five highest-loading items were: ethical/unethical, clean/dirty, sincere/deceptive, fair/unfair, and helpful/harmful.

Perceptions of the instrumentality of political behavior were measured with a four-item scale developed from 10 items used by Gandz and Murray (1980; e.g., "Successful executives must be good politicians," "You have to be political to get ahead in organizations"). Participants indicated agreement or disagreement with each item on a scale ranging from strongly agree (7) to strongly disagree (1). Coefficient alpha for the four-item scale was .69.

Perceptions of the extent to which one's work environment is politicized were measured using Gandz and Murray's (1980) procedures. Participants indicated the extent to which 11 activities in their work environment (e.g.,

hiring, work appraisals, etc.) were influenced by politics. Participants used a scale ranging from never (0) to always (3). Factor analysis (n=170) indicated all items loaded strongly on one factor (coefficient alpha = .90).

The Myers-Briggs Type Indicator (MBTI; Myers & McCaulley, 1985) was used to measure psychological type. The MBTI employs a forced-choice normative format to measure preferences for the psychological attitudes and functions. Continuous scores were used for correlation analysis. Continuous scores greater than 100 indicate preferences for introversion (I), intuition (N), feeling (F), and perception (P).

## ANALYSIS AND RESULTS

Descriptive statistics are shown in Table II. With respect to psychological type, the sample characteristics correspond closely with other administrative samples (Myers & McCaulley, 1985) showing stronger preferences for sensing, thinking, and judging. Results also indicate the sample members perceived workplace politics generally to be instrumental and their work environments to be moderately politicized. Sample members were "neutral" in their perceptions of the acceptability of workplace politics.

TABLE 2:  
DESCRIPTIVE STATISTICS AND PEARSON PRODUCT MOMENT CORRELATIONS

Measures	Mean	sd	1	2	3	4	5	6	7	8	9	10	11	12
Alliance Building	3.2	1.0												
Aggressing	1.3	1.0	30											
Introversion	99.1	25.5	-15	-01										
Intuition	91.2	26.9	20	02	-12									
Feeling	89.0	23.6	-21	-11	-15	-12								
Perceiving	87.5	27.2	01	04	-09	37	02							
Instrumentality	5.7	.8	20	04	-07	14	-15	-10						
Acceptability	3.8	.9	22	-05	-18	07	-06	07	-13					
Politicization	1.5	.6	15	26	-08	02	-01	00	25	-03				
Age	29.8	8.5	13	-11	03	21	-17	-19	30	-09	-14			
Sex			-03	-20	-10	07	38	-09	-05	-01	04	00		
Level	2.2	1.3	16	-04	06	21	-14	-12	10	01	-31	61	-04	
Years	3.4	3.5	03	-02	09	06	-10	-18	22	-05	-10	51	-03	41

n=148; Correlations (decimals omitted) of 16 and 21 are significant  $p < .05$  and  $.01$  (two-tailed), respectively. Correlations of 14 of 19 are significant  $p < .05$  and  $.01$  (one-tailed), respectively.

The primary research hypotheses were tested using multivariate multiple linear regression. Two factors influenced the selection of this technique. First, multivariate multiple linear regression is appropriate when there are multiple criterion variables and multiple predictor variables that evidence collinearity or multicollinearity within each set of variables. The results in Table II indicate collinearity between the criterion variables (Aggressing and Alliance Building) and potential multicollinearity among the predictor variables. Multivariate multiple linear regression thus was selected to test the unique linear relationship of each criterion variable. Second, multivariate multiple linear regression provides control of experiment-wise error rate which results from multiple tests of significance on correlated variables (Harris, 1975). Controlling for experiment-wise error rate is important particularly given the univariate definition of political activity in the hypotheses as contrasted with its multivariate operationalization as Alliance Building and Aggressing.

Results for the multivariate multiple linear regression analysis (Table III) indicated a significant overall effect ( $p < .001$ ) using Wilk's Lambda as the test statistic ( $F_{26,266} = 2.4$ ). Further, the within-cells regression for both Alliance Building and Aggressing were significant ( $p < .05$ ).

TABLE 3:  
MULTIVARIATE MULTIPLE LINEAR REGRESSION RESULTS

Variables	Tactics			
	Aggressing		Alliance Building	
	bb	t	b	t
Introversion	-.222	-.81	-.158	-.60
Intuition	-.807	-1.68*	-.689	-1.50
Feeling	-.595	-2.01**	-.825	-2.91***
Perception	-.026	-.28	-.043	-.50
EI x SN	.308	.77	.077	.20
SN x TF	.769	1.92*	.931	2.43**
Instrumentality	-.024	-.26	.136	1.58
Acceptability	-.069	-.83	.207	2.61***
Politicization	.272	3.09***	.152	1.80*
Age	-.208	-1.83	-.019	-.17
Sex	-.146	-1.61	.066	.75
Level	.134	1.24	.183	1.76*
Years in current job	.028	.30	-.081	-.89

aN=148

bStandard partial regression coefficient

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

With respect to the hypotheses concerning psychological type and reported political activity, the results provided limited support. Only the main effect for the thinking/feeling dimensions were significant. Results for the significant main effect indicated a preference for thinking was positively related to the reported use of both Alliance Building and Aggressing tactics. Results for the interaction effect indicated the sensing/intuition and thinking/feeling dimensions interacted to explain the use of Alliance Building tactics. Further, the interaction effect for these functions and Aggressing was very close to significance ( $p = .056$ ). Follow-up analysis of these interaction effects was conducted using univariate ANOVA with Scheffe's test as a post-hoc test. For this analysis, preference scores were categorized to produce four groups representing the four combinations of the psychological functions (ST, SF, NF, and NT). Results indicated NT types reported significantly greater use of both Alliance Building and Aggressing tactics than did SF types.

Results for the various perceptions of organizational politics indicated only two significant effects. Perceptions of the acceptability of organizational politics are positively related to the use of Alliance Building tactics and perceptions that one's workplace is politicized were positively related to the use of Aggressing tactics. Results also indicated a near significant effect ( $p = .074$ ) for the positive relationship between perceived politicization and the use of Alliance Building tactics. No significant relationships were found involving perceptions of the instrumentality of political activity.

## DISCUSSION

Models of organizational politics generally propose that individuals intentionally decide to act politically and that this decision is, in part, related to personality and various perceptions about organizational politics. The results of this study provide some additional support for this viewpoint.

Of the three hypotheses on the direct effect of psychological types, only thinking types were shown to be positively related to politicizing. This positive relationship was demonstrated for both alliance building--typical of an analytical individual capable of making difficult choices (Myers & McCaulley, 1985); and aggressing--characteristic of a domineering or forcing style of handling conflict (Chanin & Schmeer, 1987; and Kilmann & Thomas, 1975).

The interaction effect for psychological types suggests that the experience of alliance building and aggressing may be different for different combinations of the psychological preferences. Of the four types examined, NT types differed significantly for both forms of political activity. This effect suggests that a preference for intuition and thinking alone may be sufficient for individuals to engage in political activity. Or as proposed by Evered (1976), that NT types represent organizational activists. This also provides some conceptual support to the work of Finkelstein (1992) suggesting that individuals that can cope with uncertainty are likely to move up the political ladder.

Further evidence was given to previously theorized relationships between perception and political activism. As Gandz and Murray (1980) and Klein (1988) suggested, when individuals viewed politicking as an acceptable behavior they were more likely to engage in the activity. The results of the current study, however, infer that this may only be true with the more positive aspect of politicking--alliance building. If, as is suggested earlier, this positive response to increased politicking results in cognitive dissonance (Festinger, 1957), individuals are likely to choose the course of least resistance (interpersonal communications and coalition formation) in resolving the conflict. In other words, if the individual must justify the behavior afterwards, it is much easier to rationalize the positive approach to politicking.

Support was also shown for the hypothesis that perception of one's organization being politicized increases political activity. The relationship resulted in use, however, of the negative aspect of politics--aggressing. This finding may suggest that, although an individual may have an unfavorable view of politics, its acceptance and use may be seen as an inevitable factor of the workplace (Klein, 1988).

## IMPLICATIONS AND LIMITATIONS

Previous studies of organizational politics have emphasized the perceptual nature of the political arena and proposed that numerous individual factors--needs, values, personality, etc.--will influence organizational politicking. The results reported here provide some empirical support for these propositions and further indicate that different individual factors are related to different kinds of politicking. This conclusion, of course, is limited to the individual factors included in this study and the two roles identified in the factor analysis: alliance building and aggressing. Further research including different individual factors and kinds of politicking is needed to more fully explore the organizational politician's experience of politicking.

Further research might also investigate the extent to which different political roles represent political styles. As has been suggested previously (Eisenhardt & Bourgeois, 1988; and Vredenburg & Maurer, 1984), political activity in organizations quite likely is influenced by the political styles of individuals and groups. And, to the extent individuals consistently decide to use alliance building and/or aggressing tactics, these roles may represent the climate of the organization.

The results reported here also have several limitations which should be kept in mind. First, the results are limited to self-reports from a convenience sample of politicking and thus do not provide evidence of actual political behavior. As expressed by Morgan (1986), discussion of this issue may be blocked by certain internal barriers:

*... this kind of activity is rarely discussed in public. The idea that organizations are supposed to be rational enterprises in which their members seek common goals tends to discourage discussion or attribution of political motive. Politics, in short, is seen as a dirty word (p. 142).*

Second, the reliability (coefficient alpha) of the scales used to measure alliance building and aggressing are lower than might be desired and thus correlations between these two variables and others in the study may be understated due to measurement error. Third, though demonstrating adequate reliability, the construct validity of the measures of perceived acceptability of workplace politics and perceived politicization of one's work environment needs further study to more completely determine what these scales measure. Further research which addresses these limitations would seem worthwhile to more fully explore a relatively unresearched topic: the experience of organizational politicking.

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## INVESTIGATING THE RELATIONSHIP BETWEEN BIRTH ORDER AND SELF-ATTRIBUTIONS FOR ACHIEVEMENT

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### ABSTRACT

*This study investigated the relationship between birth order and self-attributions for performance. In reviewing instances of their own good performance, firstborn/only children made significantly stronger internal attributions than later borns. There was no difference between the two birth order groups in attributions for poor performance. Implications of these outcomes, as well as suggestions for future research, are discussed.*

### INTRODUCTION

Apparent links between birth order and various individual characteristics and tendencies have been investigated for well over a century. Both scientists and the lay public are intrigued by ordinal characterizations. Personality theorists such as Alfred Adler (1956) believe that family position affects individuals' experiences and development. For example, Adler suggests that firstborns and only children tend to be more motivated to excel than later borns. Middle children are likely to be nonconfrontational and noncompetitive. Finally, he characterizes youngest children as carefree, affectionate, and persuasive. Research has shown that firstborns are more likely to excel intellectually, have a stronger need for achievement, seek greater acceptance, and are judged as more serious, more seclusive, and more sensitive. In contrast, later borns tend to be more popular, more outgoing, and more socially oriented (see Ernst & Angst, 1983, for a review).

Attribution theory (Heider, 1944, 1958; Kelley, 1972, 1973) attempts to explain how and why a person interprets behaviors as being caused by, or attributed to, certain factors. According to the theory, observers attempt to discover the causes of others' behaviors. Heider (1958) theorized that causes could be categorized as either within a person (internal) or within the surrounding environment (external). In general, people tend to make internal attributions about others' behavior (Jones & Nisbett, 1972), although certain situational variables affect this tendency. Individuals feel and act differently toward others depending on whether an internal or external attribution is made. Very different responses to the same behavior may result depending on whether the cause is attributed to internal or external factors. For example, supervisors tend to be more punitive when they attribute subordinates' poor performance to internal factors such as lack of effort than to external factors such as task difficulty (Mitchell & Wood, 1979).

Past research (Phillips & Phillips, 1994) indicates that firstborns make significantly stronger internal attributions than do later borns for others' performance (good or poor). However, no research to date has investigated the relationship between birth order and self-attributions. This study investigates whether there are differences between firstborns and later borns in making attributions for their own good and poor performance.

### METHOD

The sample consisted of 154 students enrolled in upper-level business courses at a large regional university in the southern U.S. Participation was voluntary and responses anonymous.

Surveys were completed in a classroom setting. Participants were asked to recall a recent instance in which they performed well. Then, using attribution measures similar to Russell (1982), they indicated the extent to which they believed different factors (e.g., ability, effort, personality aspects, degree of task difficulty, degree of luck, influence of other people) affected this performance. Participants responded to five items, each of which had response alternatives ranging from internal to external. The five items were averaged to yield an attribution score, with higher scores indicative of more internal attributions. This process was repeated, with participants asked to recall a recent

instance in which they performed poorly. All participants completed a biographical data form which included birth-order information along with general items such as age, gender, major, and grade-point average.

Data from firstborns and only borns were combined because of similarities in experiences between these two groups (Sampson, 1965). This group is hereafter referred to as first/only borns. Similarly, data from middle and youngest children were combined; this group is hereafter referred to as later borns.

## RESULTS

Birth-order representation in this sample was as follows: only ( $n = 14$ ), firstborns ( $n = 52$ ), middle ( $n = 37$ ), and youngest ( $n = 51$ ). When groups were combined as mentioned above, this resulted in 66 first/only borns and 88 later borns.

Because self-attributions are commonly affected by self-serving bias, resulting in a different attributional pattern for good or poor performance, data were analyzed for each condition separately. In line with previous research (Miller & Ross, 1975), attributions for good performance were more internal while attributions for poor performance were more external, regardless of birth order. Attributions differed by birth order in the good performance condition. Among firstborns, the average attribution for good performance was 6.71, compared to 6.35 for later borns ( $t = 1.88$ ,  $p < .031$ , one-tailed). There was not a significant difference in attributions by birth order in the poor performance condition. Therefore, these results indicate that firstborns have a greater tendency than later borns to make internal attributions for good past performance, with no difference in their attributions for poor past performance.

## DISCUSSION

The different family experiences of individuals occupying different birth order positions may be associated with differing outcomes. The present study was designed to investigate self-attributions made by first/only borns relative to later borns. First/only borns in this sample made significantly stronger internal attributions for good performance than did later borns. That is, firstborns attributed more responsibility for past good performance to factors internal to themselves. This finding fits with previous research which, taken together, presents a profile of firstborns and only children as more achievement-oriented, seclusive, serious, and less socially oriented than later borns.

This finding has several important implications. Firstborns, feeling more personal responsibility good performance, may not be as willing to accept or as able to recognize help available from others or from the situation. When overworked, they consequently may experience higher stress levels. Both Bradley (1968) and Ivancevich, Matteson, & Gamble (1987) have noted that firstborns are overrepresented in occupations characterized by higher educational levels and more competitive professional requirements. Further, Phillips, Long, & Bedeian (1990) found higher Type A (coronary-prone) scores among firstborns relative to later borns. Taken together, these findings suggest possible interrelationships between familial experiences, occupational selection, self-appraisal, and stress level. More research is needed to address personal and organizational consequences of differing achievement attributions between first/only borns and later borns.

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## PERSONAL AND CULTURAL INFLUENCES ON PAY EXPECTATIONS

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### ABSTRACT

*This paper examines the antecedents of students' pay expectations as they prepare to enter the work force. These expectations are important as they may influence new workers' perceptions of equity. The results indicate that several demographic, cultural, family and economic factors influence an individuals pay expectations. These results were largely consistent for the first job after graduation as well as ten years after graduation.*

### INTRODUCTION

Individuals enter organizations with certain expectations as to how they will be rewarded for the inputs they bring with them and the effort they put forth. How these expectations are met can either motivate the person to greater effort or to decreased effort on behalf of the organization as well as influence their satisfaction with the job and commitment to the organization (Crosby, 1982; Porter and Lawler, 1968; Adams, 1965). As such it is important to understand the sources of those preconceptions and how they influence the individual's behavior within the organization. While equity theory (Adams, 1963, 1965) provides a theoretical framework for understanding the motivational effects of met versus unmet expectations, it is less strong in identifying the source of those expectations.

Equity theory states that individuals compare themselves to some referent other in determining how fairly they are being treated. If individuals feel that their input to output (reward) ratio is greater than that of the referent other, they will take action to reduce the differential and its accompanying distress or dissonance. This adjustment can take the form of reducing actual or psychological inputs or seeking greater actual or psychological outputs. The individual may, of course, also choose to withdraw from the situation (Hirschman, 1970). The converse is theorized to hold if their input to output ratio is lower than that of the referent other.

The power of this concept is evidenced by the large number of studies published on the topic (see Mowday, 1983, 1987 and 1991 for reviews). The equity theory literature has extensively examined the motivational effects of inequity and has also considered individual and situation influences on perceptions of inequity (Harder, 1992; Hauenstein and Lord, 1989; Vecchio, 1981; Carrell, 1978; Lawler, Koplun, Young and Fadem 1968; Lawler and O'Gara, 1967). The empirical findings are generally supportive of equity theory though some studies have indicated that norms of equity may not apply to a certain class of individuals (Huseman, Hatfield and Miles, 1987) while others have suggested that inequity may matter less in specific situations than in others (Neumann, 1980; Leventhal, 1980). Further, several studies have indicated that individuals enter an organization with a set of characteristics and experiences which influence their perceptions as to what is an acceptable level of outcome given their inputs (Major, McFarlin and Gagnon, 1984).

Despite this accumulation of knowledge, there exist some important gaps in our understanding of equity issues, particularly in the area of how individuals differ in their preconceived notions of what would be an equitable outcome for their level of inputs. Past research does indicate that individuals differ in their perspective on what makes for an equitable outcome depending on the comparison other, their past work history and their demographic characteristics. This area of research has, in general, not received the same attention as the side of equity theory dealing with the motivational effects of inequity.

This study examines several possible determinants of an individual's pay expectations upon entering the organization, including demographic differences in work values. Specifically, it investigates the influence of family status on graduating business students' expectations of pay differentials between them and their classmates. It also examines the role of idiocentric vs allocentric values in setting such expectations. It is hoped that exploring the

influence of these factors on individual reward expectations will further our understanding of how such expectations are formed.

## LITERATURE REVIEW

As has been noted, a large number of both laboratory and field studies have been conducted which lend support to the motivational power of inequity. Findings strongly suggest that feelings of being under rewarded lead to the behavioral outcomes hypothesized by Adams (Adams and Rosenbaum, 1962; Lawler and O'Gara, 1967; Greenberg (1982, 1987), for example found that underpay led to decreased job performance and even quitting the job. Harder (1992), found that under rewarded professional athletes acted more selfishly and less cooperatively than did their overpaid teammates.

Being underpaid can also lead to psychological responses in line with Festinger's (1957) concept of cognitive dissonance reduction. Andrews (1967), for example, found that workers engaged in a less attractive task worked harder and reported more enjoyment than did fellow workers engaged in a more interesting task. Two additional studies found that individuals in conditions of underpay reported having more interesting jobs than did equitably paid people (Lawler and O'Gara, 1967; Weick, 1964). More recent work (Greenberg, 1989) noted that clerical workers receiving a pay cut reported placing higher value on several positive work environment features in determining pay equity than they did when their pay cut was reversed.

Overpaid individuals also display inequity reducing tendencies though the tolerance for such inequity is much greater than it is for the underpayment condition (Leventhal, Weiss and Long, 1969). Overpaid individuals tend toward cognitive dissonance reducing tendencies rather than behavioral tendencies though both have been documented (Lawler, 1968; Locke, 1976). Gergen, Morse and Bode (1974), for example, found that overpaid students in a laboratory setting reported a greater degree of difficulty in their work than did a comparison group doing the same work but being paid an equitable wage. They found that the greater the overpayment, the more convinced the subjects were that the task was difficult. On the behavioral side, several studies have found that overpaid individuals doing piece-rate work decrease the quantity produced and improve the quality of their work in order to restore equity (Adams and Rosenbaum, 1962; Wiener, 1970; Pritchard, Dunnette and Jorgensen, 1972). Hatfield and Sprecher (1984) note, however, that there exist a number of studies which do not support the equity theory proposals for behavior under conditions of overpayment. There remains, therefore, some ambiguity in the literature as to the support for equity theory under the overpayment inequity condition.

Despite the numerous studies which lend support to the motivational aspects of inequity, the determinants of individual perceptions of what is equitable and what is not have received somewhat much attention (Mowday, 1987). The existing research suggests at least four possible influences on equity perceptions. First, a number of studies indicate that to whom the person compares herself plays a major role in forming such perceptions. Second, research indicates a role for various personal values and personal history characteristics. Third, demographic characteristics also seem to influence expectations formation. Finally, the literature suggests that nationality or national culture may also affect one's initial expectations as to what constitutes an equitable outcome given some level of inputs.

Adams' (1963, 1965) original work was explicit in stating that the definition of other is decided upon by the person himself and may refer to a number of different individuals both inside and outside the organization, categories of individuals, or even the individual himself in some future job. He stated that the degree of inequity perceived would depend on the choice of other made.

Many studies have explicitly manipulated the respondents' selection of other through experimental design or questionnaire wording (Goodman and Friedman, 1968; Gergen, Morse and Bode, 1974) rather than leaving the choice of other to the respondent. In other studies, the choice is assumed as in the comparison by Harder (1992) of professional athletes who were considered to be underpaid or overpaid based on a comparison of their input statistics and salaries with those of other professional athletes in the same sport.

Few studies, however, systematically allow for and examine the choice of the comparison other by the respondent. Of those studies which do allow for other choice, Weick and Nettet (1968) found that inequity is more important when the comparison other is a separate person rather than the individual herself. They found that individuals were more concerned about inequity between themselves and another person than they were about inequities between their own input and outputs. Taking a contrary position, Pritchard (1969) hypothesizes that "feelings of

inequity arise *first and foremost* from the correspondence between the Person's own inputs and outcomes." Other research indicates that each of these comparison others could be primary in different situations, the choice being contingent upon the cultural environment (Weick, Bougon, Maruyama, 1976).

Patchen (1961) took a different approach by asking individuals to describe two persons either inside or outside the organization whose earnings differed from their own. He found that inequity effects were stronger when the comparison other was more closely matched to the respondent in terms of occupational level. More recent work by Goodman (1974) found that managers use multiple referents including others, self-standards, and contractual referents.

While most of these studies do not specify the referent-other selection biases that people bring with them into the organization nor how these biases arise, Goodman (1974) did find that the more educated the manager is the more likely she is to choose a referent from outside the organization. Two additional studies indicate that referent choice is gender dependent with individuals preferring same gender comparisons over comparisons with the opposite gender (Crosby, 1982; Major and Force, 1982).

As Adams suggested, the research does indicate that individual perceptions of equity depend on selection of the referent other. It also indicates that variability exists in referent-other selection while yielding some preliminary clues as to the source of that variability (Goodman, 1974, 1977; Crosby, 1982). Building on these initial findings, greater understanding of individual differences in equity perception might be gained through a more systematic exploration of referent other choice and its effect on perceptions of equity.

A second group of studies examines the effect of personal values and personal history differences on equity perceptions. Mowday (1987) traces this line of research back to Tarn (1971) who indicated that individuals could be classified as input vs output oriented with those geared toward outputs being more sensitive to overpayment than those geared toward inputs. Huseman, Hatfield and Miles (1985, 1987) found that not all individuals are sensitive to issues of equity. They suggest there exist three personality types: 1) benevolents - people who prefer an input/output ratio greater than one, 2) equity sensitives - who prefer an input/output ratio of one, and 3) entitlements - those who prefer an input/output ratio of less than one. Their later empirical work demonstrates that the groups do indeed respond to issues of equity as hypothesized (Miles, Hatfield and Huseman, 1989).

In a somewhat similar vein, Vecchio (1981) considered the role of moral maturity as a moderator of inequity resolution. He found that those respondents who scored higher on a scale of moral maturity (individuals who were more altruistic) decreased quantity performance and increased quality performance at a greater rate than did less morally mature subjects. Other studies indicate differences in distribution preferences based on interpersonal orientation (Swap and Rubin, 1983), degree of Machiavellianism and need for approval (Blumstein and Weinstein, 1983), and acceptance of the Protestant work ethic (Greenberg, 1979).

Such studies indicate that the importance given to equity considerations depends on personal value factors. These studies do not, however, make an explicit link between personal values and outcome expectations. While it might be the case that individuals who are less concerned with issues of equity also have lower expectations regarding outcomes, the literature has not examined this possibility.

In addition to personal values, an individual's personal work history also influences equity perceptions (Andrews, 1967). He examined the role of previous wage history on the motivating influences of inequity. The results indicated that those with higher wages in the past produced greater quantities of piece-rate work than did those with lower wage histories. This is consistent with the idea that workers who feel they are underpaid will increase the quantity of work completed while decreasing the quality of that work. The subject's perceptions of the equity of the pay were influenced by past experiences which, in turn, led to differences in the motivational effect of the pay level.

Other studies have focused less on personality and history variables and more on demographic variables as influences on equity perceptions. The most notable finding in this stream of research is that women consistently pay themselves less than men when they allocate rewards (Major, McFarlin and Gagnon, 1984). Both past and current wage and job title differentials (Bielby and Baron, 1986) may help to explain why the reward expectations of women might be lower than those of men. In addition to gender, perceptions of equity also appear to be influenced by intelligence level, quantitative aptitude, education level and age (Bass, 1968; Hinrichs, 1969).

Finally, some work has been done relating culture to equity perceptions and preferences. Most of this work has centered on examining preferences for distribution practices among different cultural groups. In their review of the literature, Gergen, Morse and Gergen (1981) find that Americans tend to be more concerned with norms of equity when distributing rewards than respondents from European nations (Pepitone, Faucheux, Moscovici, Cesa-Bianchi,

Magistretti, Iacono, Asprea and Villone, 1967; Pepitone, Maderna, Caporicci, Tiberi, Iacono, Di Majo, Perfetto, Asprea, Villone, Fua and Tonucci, 1970; Mikula, 1972).

With specific regard to the motivational effects of inequity, Wilke and Steur (1972) did not find that the level of payment influenced task performance nor did Gergen, Morse, and Bode (1974) when studying both Italians and Americans. Psychological adjustment, however, did occur in the overpayment condition with both Italians and Americans. Feldman (1968) found that American cashiers were more likely than Greek or French individuals to return an overpayment for purchases made in pastry shops. Finally, Weick, Bougon, and Maruyama (1976) compared Dutch responses to an inequitable situation with American responses. They found that the Dutch were much less concerned than were the Americans with the outcomes of co-workers and more concerned with their own needs.

Later studies have also found a link between preferences for equity versus preferences for equality in pay. In summarizing a number of two country comparison studies, Gudykunst, Yoon, and Nishida (1987) state that, in most cases, members of individualistic societies have greater preferences for equity based pay compared with equality based pay as compared to members of collectivist countries. When considering pay norms within outgroups, however, it was found that a group of Chinese respondents demonstrated greater reliance on norms of equity than equality (Leung and Bond, 1984).

This small group of findings, then, indicates that some countries seem to be more concerned with inequity than do others though the explanations for why this is the case are usually based on a selective interpretation of history if they are provided at all. Only in the studies conducted by Bond and Leung is specific reference made to any theoretical framework, that being the individualism-collectivism cultural dimension identified by Hofstede (1980). Importantly, however, no studies seem to directly link culture with issues of pay expectations relative to comparison others.

In summary, the empirical literature lends support to Adams (1965, 1967) original hypotheses regarding equity theory. As has been noted, inequity has been shown to motivate both behavioral and psychological adjustments. The literature also shows that there exist differences in the importance that individuals place on maintaining equity and in their selection of others when making equity comparisons. Women and those with low pay rate histories, in particular, seem to enter organizations with lower expectations as to what constitutes an appropriate reward than do men or those with higher pay histories. This expectation would naturally lead them to perceive equity in situations in which a man or someone with a higher pay history may have felt underpaid.

The current study builds on these earlier findings in examining other individual differences which may influence perceptions of pay equity. Particularly, we model the influence of two family status variables, marital status and number of children, along with a measure of personal value orientation on expectations of pay relative to classmates at the time of graduation.

## **HYPOTHESES**

As previously indicated, a number of studies have examined the effects of gender on pay expectations while issues of marital status, children, have been largely ignored. Two separate streams of literature, one from labor economics and the other from the behavioral sciences, shed light on this issue through their consideration of the relationship between work and family life.

The labor economics literature indicates that married men, in particular, have higher wages than their single counterparts (Korenman and Neumark, 1991). While the results are not as robust they also seem to hold for married women (Landau and Arthur, 1992). Two arguments for why this may be the case are reviewed by Cappelli, Constantine and Chadwick (1995). They report research indicating that married workers may have greater need for income and, thus, may work harder. In addition, these workers may also acquire higher levels of human capital as a response to their increased need for income. These findings would suggest that married students and those with children might expect to earn higher wages compared to their classmates for a variety of reasons.

A second set of arguments from the behavioral science literature, however, suggest a different picture. This literature emphasizes the existence of a tradeoff between work and family activities. Time and energy used at work are not available for family life and vice versa. Research indicates that the effects of work life on family life are generally stronger than effects than family life on work (Zedek, 1992). Two of these effects include divorce (Jones, 1988) and problematic family relationships (Jackson and Maslach, 1982). On the other hand, evidence also exists for

the potentially disruptive influence of family life on work activities. Individuals valuing their family life report less willingness to do shift work, relocate, travel extensively, put in overtime, or handle high degrees of stress (Rodgers and Rodgers, 1989).

The behavioral science view of work and family life being in conflict would suggest that married students and those with children might expect to earn lower wages compared to their classmates. Indeed, individuals placing high value on family life recognize and even seem willing to make such trade-offs (Rodgers and Rodgers, 1989).

These opposing ideas suggested by labor economics and the behavioral sciences as to the relationship between work and family life lead to the following two sets of competing hypotheses:

Hypothesis 1A: Married individuals will have higher pay expectations relative to their single counterparts.

Hypothesis 1B: Married individuals will have lower pay expectations relative to their single counterparts.

Hypothesis 2A: Individuals with larger numbers of children will have higher pay expectations relative to those with fewer children.

Hypothesis 2B: Individuals with larger numbers of children will have lower pay expectations relative to those with fewer children.

In examining the role of personal values on pay expectations it may be useful to examine those values present at the societal level to explore possible parallels. As previously noted, several researchers have hypothesized about the relationship between equity expectations and Hofstede's (1980) individualism-collectivism dimension. When measured at the level of individuals rather than nations, this dimension is formally known as idiocentrism-allocentrism. We employ the more customary usage of individualism-collectivism in this paper for simplicity's sake.

The individualism-collectivism dimension specified by Hofstede (1980) surfaced in much earlier work by social scientists such as Weber (1947), Parsons and Shils (1951) and Tonnies (1963). Weber made a distinction between temporary relationships which were governed by self-interest versus a longer-term relationship which fostered a sense of joint obligation. Parson and Shils employed the terms self-orientation and collectivity-orientation while Tonnies distinguished between *Gesellschaft* (society developed through complementary self-interested exchange) *Gemeinschaft* (society developed through shared group-oriented kinship or tradition). In the more recent work based on Hofstede's (1980) study, individualism-collectivism refers to the extent to which one's identity is based on personal choice and achievement versus group membership (Smith et al, in press).

As has been previously noted, there exists some evidence that collectivist cultures base reward distribution on equality rather than equity norms. At the individual level, even in countries high on individualism, norms of equality come more into play when the interdependence between group members is stressed (Lerner, 1973). Mikula (1974) employs similar reasoning when explaining why a group of American students in Austria showed greater tendencies toward equality based distribution compared to their Austrian counterparts even though they were from a more individualistic cultural background.

In terms of pay expectations, Sahlins (1965) proposes that individuals who derive a sense of identity from group membership rather than individual distinction would be willing to sacrifice their own interests in order to maintain group solidarity or to help someone with lower inputs. Mann (1989) provides anecdotal evidence that this is, indeed, the case. He observed high productivity workers in China voluntarily forsaking pay raises in order to reduce coworkers' resentment.

Individuals with such collectivist backgrounds and values may not be comfortable thinking in terms of individual distinction which results in large pay differentials. Such differentials might even, in their perception, be considered somewhat of a negative reward due to personal values emphasizing contribution to the group rather than self-reward. Indeed, one would expect individuals with collectivist values to self-select themselves into more collectivist settings. Cultural level findings regarding the behaviors and preferences of individuals with respect to equity versus equality pay norms suggest the following hypothesis:

Hypothesis 3: Individuals espousing more individualistic values will have higher pay expectations relative to their more collectivistic counterparts.

## METHODOLOGY

The sample for this study was drawn from graduating 1992 undergraduate business majors and 1993 MBAs at a large Eastern university. All students indicated that they were coming from countries outside the United States and listed themselves as a foreign national of those countries. These students represent some 40 different countries including students from Europe, Asia, Latin America, Africa and Australia.

### *Dependent Variable*

Students were asked to indicate whether the amount of money they expected to be earning in their first job was much lower, slightly lower, about the same, slightly higher or much higher than the amount they thought their classmates would earn. The same question was asked regarding pay expectations ten years after graduation. Answers have been coded on a scale of 1 to 5 with 1 indicating much lower pay as compared with classmates and 5 representing a response of much greater pay.

*Personal Values* - A subset of Hofstede's (1980) individualism scale was employed to measure this dimension at the personal rather than national level. Included were four items which correspond with the positively correlated items in Hofstede's scale. Individuals were asked to indicate the importance of several career success measures on a scale of 1 to 5 with 1 being not important and 5 being very important. Having flexibility in determining work hours, having time for one's self, having time for one's family, and working on challenging tasks factor together to form the individualism scale ( $\alpha = 0.65$ ). The personal value scale, then, is a scale ranging from 4 to 20, representing the summation of responses to the four separate questions.

*Demographic Variables* - Demographic variables of interest include marital status and number of children. Marital status is a dummy variable coded zero for single respondents and one for married respondents while the number of children is coded from zero to seven based on the actual number of children in the family.

*Controls* - In addition to the variables of interest several controls were also added in the areas of basic demographics, industry, mobility, home country income levels, and life interests.

1) Demographics: As gender was found in previous studies to influence pay expectations it has also been included in this study as a dummy variable. Zero represents women while one represents male respondents. Age, measured in years, has also been included as a control variable.

2) Occupation: While the sample size was insufficient to control for all possible occupational choices, we did control for those felt to be most relevant. In separate interviews with students and faculty it was discovered that those industries widely regarded as offering the largest long-term pay packages were financial services and consulting. An industry dummy variable was created to distinguish between students planning on going into either consulting or financial services (coded one) and students pursuing careers in other areas (coded zero). This variable, aids in controlling for pay expectation differences based on industry selection.

3) Mobility: Individuals also differ in their degree of mobility. It may not be unreasonable to expect that individuals who are more willing to search out positions in other organizations would do so with the expectation of earning greater rewards. The mobility issue is important because of its positive correlation with individualism (Hofstede, 1980). In order to control for the possible confounding of individualism as representing importance placed on group cohesion versus individual accomplishment and the occupational mobility tendencies of individualistic people, we have added a mobility control variable. The mobility variable indicates the number of years the students plan on spending with their first organization (not necessarily in their first job).

4) Home Country Income Levels: Another possible confounding effect arises when using individualism as an independent variable - income levels. Hofstede (1980) noted that the strongest correlate of individualism was income. This is problematic for the current study as a certain number of foreign students would be expected to return to take jobs in their home countries upon graduating. Those returning to highly collectivistic countries would normally expect to earn less compared with their classmates from more individualistic nations as simply because per capita income is generally lower in collectivist countries. To control for this potentially confounding effect, we have added per capita gross national product data (Statistical Abstract of the United States, 1994) to the survey data. These data

are in thousands of U.S. dollars in the year 1991 which was the year the MBA students entered the program and the year prior to graduation for the undergraduates.

5) Life Interests: While performance indicators were not available for all students, we did control for the dedication that students might be expected to give to work activities. Students were asked to rank a set of six activities according to amount of satisfaction they expected to derive from the activity. The activity expected to yield the greatest amount of satisfaction received a score of one, the second most satisfying activity a score of 2, and all other activities a score of three. The activities included covered career and occupation, family, religion, national or international betterment, leisure and recreation, and community affairs.

### RESULTS

Table 1 presents the means, standard deviations and simple correlations of the included variables. On average, respondents indicate that they expect to earn the same as their classmates in the first job while leaning towards earning slightly more than their classmates ten years out. Gender is positively associated with pay expectations ( $p < 0.01$  and  $p < 0.001$ ) as is per capita GNP for first job pay expectations ( $p < 0.05$ ). In addition, occupation is negatively associated with first job pay expectations ( $p < 0.05$ ). Marriage is marginally associated with both pay variables as is the individualism measure with the first job pay variable.

The results of the regression analyses are shown in table 2. The results confirm earlier findings suggesting that men have higher pay expectations than women. For first job after graduation, pay expectations for men were 0.68 ( $p < 0.05$ ) points higher than the average pay expectations score for women. Expectations were 0.83 ( $p < 0.01$ ) points higher for men than women in the ten year after graduation pay question. Of the remaining control variables, only per capita GNP shows any significant effects (0.01) in the first job model. An additional thousand dollars of GNP increased the respondents score by 0.04 points. Finally, the mobility indicator was significant ( $p < 0.05$ ) in the ten year model with each additional year of tenure with one's initial organization being associated with 0.03 point drop in the pay expectation score.

	Mean	SD	1	2	3	4	5	6	7	8	9	10	11
1 Pay Expectations, First Job	3.03	1.12	1.00										
2 Pay Expectations, Ten Year	3.44	1.10	0.43***	1.00									
3 Gender	0.76	0.43	0.27**	0.43***	1.00								
4 Occupation	0.24	0.43	-0.21*	0.05	-0.01	1.00							
5 Mobility	10.08	11.05	0.00	-0.13	-0.05	-0.14	1.00						
6 Per Capita GNP	12,784	9,601	0.28**	0.05	-0.12	-0.15	0.08	1.00					
7 Life Interests	1.82	0.77	-0.10	-0.12	0.02	-0.10	0.17	-0.10	1.00				
8 Marital Status	0.42	0.50	0.16	0.19	0.12	-0.07	-0.01	-0.02	0.05	1.00			
9 Number Children	0.17	0.77	0.06	0.11	0.11	-0.12	0.16	-0.19	-0.09	0.08	1.00		
10 Age	25.56	3.98	0.12	-0.01	0.11	-0.30**	-0.22	0.19	-0.10	0.21*	0.11	1.00	
11 Individualism Values	15.95	2.44	0.14	0.14	-0.00	-0.04	0.08	-0.11	0.27**	-0.07	-0.02	0.14	1.00

\* $p < 0.05$       \*\* $p < 0.01$       \*\*\* $p < 0.001$

In order to understand the magnitude of such increases or decreases in the pay expectations score, it is important to recall that the scale ranges from 1 to 5. This means that a female graduate, on average, scores almost 20% lower than her male counterparts on this scale for ten year pay expectations. Another way of viewing the results is that while men, on average, believe they will earn slightly more than their classmates, women, on average, believe they will earn slightly less.

Variables	First Job		Ten Years Later	
	Estimate	T-value	Estimate	T-value
Intercept	1.16	1.07	3.27	2.97**
Gender	0.68	2.19*	0.83	2.74**
Age	-0.07	-2.08*	-0.08	-2.59*
Occupation	-0.45	-1.47	-0.53	-1.69
Mobility	-0.01	-1.23	-0.03	-2.27*
Per Capita Gnp in Thousands of U.s. 1991 Dollars	0.04	3.18**	0.02	1.66
Marital Status	0.67	2.80**	0.89	3.66***
Number of Children	0.13	0.98	0.20	1.46
Individualism	0.20	4.07***	0.14	2.86**
Adjusted R <sup>2</sup>	0.31		0.31	
F-value	4.42***		4.33***	
N	70		67	
	*p < 0.05	**p < 0.01	***p < 0.001	

With regard to the family status variables, we find similar results for both the first job and the ten year job models. Married individuals score significantly higher ( $p < 0.01$  for the first job model and  $p < 0.001$  for the ten year job model) than their single classmates. In the first model their average response exceeds that of single respondents by 0.67 while the differential is 0.89 in the ten year job model. Finally, the number of children one has does not appear to be significantly associated with pay expectations in either model.

In addition to the family status results, the regression analysis indicate that those respondents with individualistic personal values tend to expect greater pay differentials in their favor compared to their more collectivistic classmates. A one point increase on the collectivism scale is associated with a 0.20 point differential in pay expectations ( $p < 0.001$ ) in the first job and a 0.14 point differential in the ten year model ( $p < 0.01$ ).

## DISCUSSION

This paper examines the role of both family status and personal value antecedents in forming pay expectations for graduating students. The results indicate mixed support for the family status variables. While the number of children one has does not affect pay expectations in this sample, marriage does have a significant effect.

Married students reported expectations of earning higher wages compared to their classmates. This finding is surprising in terms of the behavioral science model where work and family are seen as being in conflict. On the other hand, it is consistent with the findings of labor economists who have found that both men and women who are married earn more than their single counterparts (Landau and Arthur, 1992).

Several reasons may exist for this finding. As previously mentioned, married students may have greater pay expectations due to greater perceived need. Those who have made the transition from single to marital status may understand the increased cost associated with providing for an additional person and the additional roles undertaken by married couples. On the other hand, it has often been remarked that two people living under the same roof and sharing expenses can actually live less expensively than two people living separately. This is especially true when both individuals continue working after marriage.

A second argument suggests that firms may actually pay married individuals higher wages due to their presumably lower tendency to quit. Korenman and Neumark (1991) indicate that this was especially true in the past when both higher pay and promotions were more likely to be given to those with greater family responsibilities. Given the number of dual career couples currently functioning in the economy, the mobility issue takes on a different dynamic. On the one hand workers from a dual career marriage may follow their spouse to a new job opportunity.

Recent findings, however, suggest that as greater involvement in careers, particularly by women, has lead to a greater tendency towards decreased mobility for both partners (Gordon and Kammeyer, 1980; Catalyst, 1981; Bird and Bird, 1985).

As previously mentioned, the respondent's number of children does not have a significant effect on pay expectations. This may not be surprising given that over 90% of all respondents had no children at all. A better measure might indicate the number of children that the individual expected to have in the future. Subsequent analysis indicates that the number of children a respondent plans on having in the future does not affect pay expectations but that whether an individual plans on having children at all is associated with higher pay expectations.

These higher expectations for those who plan on having children are generally derived from the same sources as the marriage arguments. Families with children experience greater needs than those without. Increased needs result from the cost of providing child care either by an outside provider or a spouse who leaves the workforce. Increased needs are also associated with everyday living expenses as well as long-term expenses such as a college education. In addition, mobility may also be decreased as the children become embedded in their immediate social environment and may restrain the mobility of the parents to a tight geographical boundary.

In addition to support for the family status hypotheses, support was also found for the role of personal values as stated in Hypothesis 3. Respondents scoring high on the individualism scale were found to have significantly higher pay expectations than their more collectivistic classmates both for their first job and ten years after graduation. As was previously noted, persons espousing individualistic values are likely to think more in terms of distinguishing themselves as individuals than are those with collectivist values. Doing so in terms personal pay is less likely to create psychological dissonance for individualistic students as compared to those with a more collectivist orientation. Indeed, such people may even find pay distinction to have a somewhat negative affect.

## **EQUITY RESEARCH**

To the extent that organizations can understand both employees' reactions to inequity and how those perceptions of inequity are formed, they can make more appropriate decisions regarding pay policies. As has been noted previously, a great deal of research has examined reactions to forced inequity in a variety of differing circumstances. Less well explored, however, have been the many facets of pay inequity perceptions (Mowday, 1987). It is important to better understand how referent-other choice is made as well as the influence of situational variables, including national culture, on perceptions of inequity. The focus of this study has been on better understanding the link between pay expectations and the differences that individuals bring with them upon entering the organization. Such understanding of pay expectations should lead to a more complete modeling of the motivational effects of pay inequity.

The current study suggests that it is possible to systematically explore the effects of individual differences on pay expectations. In addition to the gender differences in pay expectations which were given additional support, results indicate that family status and the degree of individualism in one's personal values plays a role in preconceptions about pay relative to a comparison group. These findings yield a more complete picture of how pay equity will be judged by those entering the organization.

These findings suggest several directions which future equity theory research might take. First, it would be interesting to examine more closely the link between family status and pay expectations. The explanations given for this link seem promising though additional arguments do exist. Cappelli et al. (1995), for example argue that the same factors which lead individuals to marry may also be valued in the workplace, resulting in higher wages for married persons. While this factor would seem to determine wage outcomes rather than expectations, individuals may take note of such outcomes and adjust their expectations accordingly.

Similarly, the link between personal values of individualism-collectivism and pay perceptions needs to be understood more thoroughly. Do people with collectivist values actually expect to earn less due simply to less concern with distinguishing themselves in terms of pay or do they actually experience negative affect when considering pay which would distinguish them over others? A third possibility not explored in this paper centers around perceptions of one's inputs. It is possible that individualistic people perceive themselves as having a higher level of inputs as compared to collectivistic people.

In addition to further exploring the relationship between individual differences and pay expectations, it would be profitable to examine how initial pay expectations influence perceptions of equity. Do people maintain their expectations upon entering the organization or do they rapidly discard them through some process dissonance reduction? In addition, can it be shown that a priori expectations also play a role in determining whether a person feels equitably rewarded or not? Do people with higher expectations experience greater feelings of inequity, on average, than do those who enter the organization with lower expectations? And, if they do, do the same individual differences which explain those initial expectations also influence equity perceptions?

Finally, research indicates that equity norms are more important in some cultures than in others (Gergen, Morse and Gergen, 1981). In addition, there seem to be some evidence indicating that under conditions requiring team building rather than task performance, equity norms are less attractive for performance outcomes. Also, work by Huseman, Hatfield and Miles (1985, 1987) indicates that there exist individuals who are less inclined towards norms of equity than are others. Along these lines, research identifying individual differences which lead to greater or less importance being placed on issues of equity rather than simply demonstrating such differences would also be useful in setting boundaries to equity theory's domain.

### CONCLUSIONS

While equity theory has received a great deal of attention since Adams' original work in 1963, there still remain several significant issues to be addressed when considering the role of inequity in motivating behavior. These issues include setting the boundaries of the theory as well as further examining the process by which it influences behavior. The current study has sought to add to the store of knowledge by examining the antecedents of the relative pay expectations of individuals entering organizations. It has also noted several ways in which this line of research might be pursued to enhance our understanding of the domain and process of motivation through inequity.

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## **TOWARD AN UNDERSTANDING OF UNIVERSITY-BASED STRATEGIC PLANNING**

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### **ABSTRACT**

*Organizational Golden Ages, whether in government, universities, or business firms, seldom endure beyond the generation of people who create them.*

*Herbert Simon, Nobel Laureate*

*Think in anticipation, today for tomorrow, and indeed, for many days. The greatest providence is to have forethought for what comes. What is provided for does not happen by chance, nor is the man who is prepared ever beset by emergencies. One must not, therefore, postpone consideration until the need arises. Consideration should go beforehand. You can, after careful reflection, act to prevent the most calamitous events. The pillow is a silent Sibyl, for to sleep over questions before they reach a climax is far better than lying awake over them afterward. Some act and think later - and they think more of excuses than consequences. Others think neither before nor after. The whole of life should be spent thinking about how to find the right course of action to follow. Thought and forethought give counsel both on living and achieving success.*

*Baltasar Gracian, Spanish Jesuit*

### **INTRODUCTION**

In *Preparing For The Twenty-First Century* (1993), historian Paul Kennedy asserts that the world has entered an era of unprecedented turmoil, reflecting the entwined forces of shifting demographics, rapidly occurring technological, biotechnological, and communication advances, and increasing global competition (pp. 21-82). Based on these forces, Kennedy speculates on the "winners" and "losers" in an emergent two or three tier world order, forcefully arguing that a key determinant will reside in our systems of education. Commenting specifically on the United States, Kennedy cites the oft-spoken view that public education suffers serious deficiencies and that our institutions of higher education are not providing the appropriate skills and knowledge necessary to retain our standing in the world (pp. 314-315). Similarly, former Harvard President Derek Bok (1992), concludes that "the public has finally come to believe quite strongly that our institutions of higher education -- particularly our leading universities -- are not making the education of students a top priority" (p. 15). Bok highlights the absence of a compelling vision on how university programs prepare students for emergent challenges, inattention to undergraduate quality, and the slow pace of self-assessment. Implicit in Bok's analysis and in the comments of others (c.f., Rowley et. al., 1997; Zemsky, 1994; Association of Governing Boards of Universities and Colleges, 1992; Toombs and Tierney, 1991) is the belief that the "business" of higher education needs to be done differently. As asserted by Zemsky (1995), we must redo the higher education model to be more responsive to the external environment. Greer (1993) explicitly asks, "What do we expect from higher education? What are higher education's social and economic roles? What do we want it to accomplish beyond producing knowledge (p. 3B)?"

### **THE CURRENT LANDSCAPE**

In recent years, America's system of higher education has had to absorb/respond to a set of formidable, interrelated demands (PEW Policy Perspectives, 1996; RAND, 1994; Brand, 1994; Taylor et. al., 1993; Association of Governing Boards of Universities and Colleges, 1992):

-- the economic resources available to higher education have declined steadily, as revenue outlays for entitlement programs increased and other societal demands competed successfully for federal and state funds (e.g., crime suppression); concurrent with this fundamental shift in budget priorities has been the movement to reduce or contain taxes, further restricting the major source of revenue for public institutions.

-- the continuous erosion of resources expended on higher education combined with projected increases in overall demand for participation in higher education has forced a debate over future access and has resulted in the emergence of newer, for-profit competitors for existing dollars; for public institutions, in particular, the controversy has focused on their ability to maintain their mission of providing admittance to all qualified residents and their ability to provide degree programs in a timely manner.

-- advances in technology have continued to increase at an increasing rate thereby raising questions concerning both the appropriateness of "traditional" pedagogical approaches and the financing of new equipment; this boom in technology has also necessitated new investments in faculty development.

-- broad-based demographic shifts within the population have increased tension over the meaning of diversity in higher education, propelling campuses to the forefront of the dialogue on cultural identity, the meaning of assimilation and social justice; societal efforts to "better" understand the dynamics of these social issues have forced higher education to reconsider the balance between pure science and applied research.

As foreseen over a decade ago in *The Dynamics of Organizational Change in Higher Education* by Baldrige and Deal (1983):

The relationship between the organization and its environment is like an ever-changing kaleidoscope. The environment is a complex mixture of political support and control, competing organizations trying to steal clients or funds, supporters trying to build the organization up, and detractors working to tear it down. Government policies are generous one minute and stingy the next. Every organization faces a bewildering whirlwind of environmental changes, environmental demands, and environmental controls (p. 4).

Within this environment, higher education is constantly being challenged to demonstrate its worth -- to justify its share of national resources (Davies and McGuire, 1994). "Parents now ask institutions with growing bluntness, What exactly are we paying for? and they measure the quality of higher education in terms of their children's ability to garner secure and well-paying jobs (Zemsky, 1994:3A)." As summarized by the Association of Governing Boards of Universities and Colleges (1992), "Institutions of higher education that do not rethink their roles, responsibilities and structures . . . can expect a very difficult time in the next decade and the next generation. Some will not survive. Most will be expected to do much more with far less (p. 8)."

### **CONTEXT: HIGHER EDUCATION IS UNIQUE . . . NOT**

The turmoil in higher education is not unique. We are witnessing a remarkable transition in America that is transforming our organizations, private, not-for-profit, and public. Harris (1985) estimates, for instance, that usable knowledge doubles every five to seven years (p. 4), while the media chronicles the latest advances in electronics, microprocessors, and lasers, promising an multidimensional information highway. The breadth and difficulty of this change can be seen in the on-going disorder in such diverse fields as finance, transportation, high/low technology manufacturing, retailing, media, entertainment, aerospace/defense, health care, social services, and even government itself (Glassman, 1995:134).

Similarly, at the workforce level, we are witnessing changes that are resulting in unparalleled diversity. Notable trends include (a) an increasing average age with greater age differentials between the "young and the old," (b) an ever-growing number of cultural backgrounds within work units with accompanying interpersonal difficulties, and (c) an expanding role for women in executive management with demands from other identified minorities for more opportunities (Jamieson and O'Mara, 1990). As observed by Coats et. al. (1990), these trends combined with the impact of global competition on quality and cost controls, the use of technology to redefine work, and the emergence of new work group designs (e.g., autonomous groups, empowered workers) means that "The North American work force faces wrenching changes . . . that will radically alter how employers recruit, manage, and hold on to good people (p. viii)."

In this environment of increasing and unrelenting change where organizations must continually learn and innovate, "the traditional organizational map describes a world that no longer exists (Hirschhorn and Gilmore 1992:105)." The current situation in higher education is not dissimilar. According to Johnston (1993):

A mounting body of evidence suggests that a major paradigm shift in the structure, processes, and objectives of American higher education is imminent. The factory model of instruction that has served us well for the past hundred years with its orderly classrooms, prescribed periods and places of attendance, homogenized curricula, and certified levels of accomplishment, is growing obsolete (p. 49).

More specifically, Turner (1990) highlights operating rules and procedures that demand maximum order and predictability, faculty and staff socialization processes that lock members into predetermined role relationships, and department specialization that makes differentiation more important than integration across boundaries. In summary, we regard higher education as another industry experiencing the demands of the technical-social revolution; another industry seeking to develop its own, new mental models to prepare for the future, eschewing established frameworks.

### **THE EMERGENCE OF STRATEGIC PLANNING**

As noted by James O'Toole (1985), author of *Vanguard Management: Redesigning the Corporate Future*, an eminent feature of all Vanguard organizations is their ability to develop a strategic plan that (1) realistically assesses their environment and the context in which they will be operating in the future, (2) articulates an appropriate, yet flexible strategy for functioning in a changing environment, and (3) involves full employee participation in carrying out the plan. Similarly, John Bryson (1995), author of *Strategic Planning For Public and Nonprofit Organizations*, argues that all public and nonprofit (and community) planners must embrace strategic planning as the primary tool of improving performance, asserting that "the most effective public and nonprofit planners no doubt are now, and will be increasingly in the future, the ones who are best at strategic planning (p. 13)."

With increasing frequency, America's institutions of higher education are turning to strategic planning as a mechanism for developing envisioned futures (c.f., *PEW Policy Perspectives*, 1993-95). As asserted by George Keller (1997), editor of *Planning for Higher Education*:

In the past dozen years, hundreds of the 3,500 colleges and universities in the United States have launched efforts at strategic planning. . . These hundreds of efforts have had mixed success. A few institutions have transformed themselves dramatically. . . many institutions have stumbled, dissolved into controversy, or lost their nerve. Exactly why some have succeeded while others have floundered is not clear. Few scholars have studied the many attempts at strategic change in higher education (p. ix).

This paper proceeds from the premise that strategic planning in higher education has had only limited success, reflecting (a) the inability of planners and participants to differentiate long-range planning and strategic planning processes and (b) the inattention of planners and participants to the unique cultural aspects of higher education as an industry. The experience of the authors at California State University, Northridge provides the basis for learning and implications.

### **LESSONS FROM THE FIELD: THE CSUN EXPERIENCE**

Nothing is more obvious . . . than that history is decisively in the making today, and yet the quality of decision is largely absent. There is an ominous drift; people appear overwhelmed. . . . It is as though the complexity and multiplicity of present issues is too much for the mind of man. But if one thing is certain, it is that where people refuse to decide, events will decide for them. And if personal decision is both difficult and risky, it is not at all certain that to allow events to decide impersonally, although relatively easy, is not itself a decision involving the greatest risk.

Charles Malik, 1954  
Commencement Address  
Washington University

As a consequence of the January 19, 1994 Northridge earthquake, California State University, Northridge sustained nearly 350 million dollars in damage, the greatest natural disaster to a campus in U.S. history. Although all 58 buildings on campus were damaged, the university reopened two weeks later. Numerous studies have examined the leadership response that lead to this extraordinary accomplishments (c.f., Blumenthal, 1995; Berry, 1996). As summarized by Blumenthal (1995):

The number of critical decisions necessary to get the campus opened in the committed time frame was staggering. The work occurred under enormous pressure and abysmal physical conditions. . . . the president decided to rent temporary structures to be placed in available space throughout the campus. . . . Hundreds of temporary structures, trailers and domes, would be set up to house classes, administrative offices, restroom facilities, and all other essential activities. In addition, an instant infra-structure would be built, including computers, phone lines, and the rest. . . . In effect, an entire new physical facility for a student population of 27,000 was to be built in less than a month (p. 249).

Little noticed, however, was the decision by the President of CSUN to use this "period of unfreezing" to initiate the university's first strategic planning process. Between September, 1994 and September, 1997, concurrent with the turmoil of reconstruction and many of the environmental dynamics previously noted, CSUN pursued an ambitious strategic planning effort that continues to earn high praise from educators and public officials around the country (SCUP, 1997).

Below, from a participant-observer perspective, we examine selected factors that contributed to this success, emphasizing the "interplay" between a conventional strategic planning approach and the cultural characteristics within a specific university setting. Although we differentiate the antecedent, developmental, and implementation stages, in practice, the strategic planning process is far messier and more nonlinear than described in the literature or indicated in this paper.

### **ANTECEDENT FACTORS**

Strategic planning is an ordered process for envisioning an organization's desired future and determining the required actions to attain that future. Unlike long range planning which simply projects current trends indefinitely, strategic planning is based on anticipated and/or discontinuous futures (i.e., deliberative versus emergent strategy). This seemingly subtle difference represents a paradigm shift that requires college and university staffs to change their orientation from "looking at problems from a current understanding or an inside-out mind-set [to] an understanding of the nature of the issue and then finding of an appropriate response, or an outside-in mind-set (Rowley et. al., 1997:35-36)." As summarized by Dolence and Norris in 1995), *Transforming Higher Education: A Vision for Learning in the 21st Century*, the transformational process on campuses must begin with strategic thinking about the future (p. 85).

### **THE FOCUS ON COLLECTIVE UNDERSTANDINGS**

Colleges and universities, particularly public institutions, tend to plan within a limited time horizon -- yearly budget allocations and academic program cycles and expenditure determinations based on immediate adaptation needs. Consequently, there exists a "disconnect" between normative decision making processes/behaviors and the necessity for strategic thinking.

At CSUN, the formal strategic planning process was initiated through both a Distinguished Speaker Series and multiple focus groups (i.e., faculty, staff, students, alumni, and community members) to promote discussion and deep reflection on the need to transform the higher education enterprise and the need to understand CSUN's competitive outlook. The speakers, ranging from the chancellor of the 22 campus California State University system to the director of the nationally prominent Institute for Research on Higher Education to the founder of the technologically-focused Academic Systems Corporation, conveyed their views on the tensions and challenges facing higher education, stressing transformative requirements and current innovations/experiments; the focus groups engaged in a conventional SWOT analysis and also examined CSUN's distinctive competencies, raising questions regarding how the university could best respond to its changing environment, leverage its resources, and meet the demands of different constituencies. The efforts of these focus groups were extended by a contracted Rand Corporation environmental scan that assessed the changing demographics of the university's student "capture area," recruitment and retention rates for differentiate populations (e.g., ethnicity, age, gender), and legislative and fiscal trends.

From our perspective, the data generated through this dual focus (i.e., national/state viewpoints on higher education and local assessments of CSUN's prospects) became an essential foundation for later examination of the university's mission and values, as well as the development of a longer-term vision; it provided the knowledge base needed to engage in reasoned debate and it emboldened advocates of change to come forth. Not surprisingly, this initial set of activities took nearly six months to complete.

### **THE NEED FOR HIGH INVOLVEMENT**

It is commonly accepted that the responsibility for strategic planning resides at the senior management level and that other managers are entrusted with developing the long-range and tactical plans required to implement the strategy directions and initiatives. Indeed, our "unscientific" survey of several universities engaged in strategic planning indicated that this "top-down," business approach was the preferred model and that faculty and staff involvement were relatively limited. Speculatively, given that institutions of higher education operate under a shared governance paradigm, this inattention to more extensive participation may be an underlying reason for the difficulties colleges and universities are experiencing with strategic planning.

Without elaborating, CSUN has had a strong tradition of faculty activism. Given this history, it was determined during the initial discussions regarding strategic planning methodologies that it was critical to develop a full partnership between the administration, faculty, and staff. To foster this collaboration, the President established a broad-based Strategic Planning Committee (SPC) consisting of administrators, faculty, staff, and students to (a) examine the implications of the Speaker Series and the focus group data, (b) design information gathering, data analysis, and feedback processes, (c) examine ill-defined and complex problems, and (d) serve as critical advisors to the president and the consultants. Equally important, as a collateral or parallel structure (c.f., Cummings and Worley, 1996:296), the SPC established working procedures that enabled the members to cross organizational boundaries and broaden input on important debates.

To further expand involvement and to insure inclusion of the formal decision making structure of the university (e.g., Executive Committee of the Faculty Senate, Deans) a series of retreats were planned and conducted to obtain different viewpoints on controversial issues (e.g., university priorities) and to work toward consensus. During the strategic planning period, two or three retreats were held each year, each attended by over 100 participants. The outcomes of both these retreats and the SPC decisions were placed on the university's Strategic Planning Web page, inviting further discussion. Additionally, the chair of the SPC and the consultants often attended meetings of university governance groups (e.g., Academic Senate, Provost's Council, Student Affairs Administrative Council) to obtain feedback and to discuss expectations.

In hindsight, we believe that the decision to adopt a high involvement model was paramount in the success of CSUN's strategic planning effort. Initially, the creation of the SPC and the suggestion of working retreats were

viewed by many as attempts by the president (and others) to bypass and/or manipulate the formal shared governance process and to impose a predetermined "blueprint" on the university. Recognizing that such distrust and resistance was not unusual during the early stages of strategic planning (similar to most efforts that might challenge the existing order), the president continually encouraged civility and discourse. Also, as an example to others, the president allowed her ideas and vision to be publicly scrutinized and contested. As a consequence of this steadfast dedication to high involvement, over time, a broad set of stakeholders emerged that assumed strong personal ownership of the resulting plan. Moreover, we have recently observed increased movement from strategic planning as an activity to strategic thinking becoming integrated into the formal governance and decision making structures of the university.

### **THE COMMITMENT FROM THE TOP**

A common axiom identified with strategic planning is that success cannot be achieved unless senior management demonstrates unity and commitment to both the developmental and implementation processes (Rossy and Glassman: 1993). As summarized by Goodstein, et. al. (1992):

The first step . . . is to make certain that there is organizational commitment to the process -- that the organization's key players, especially the chief executive officer (CEO), view the planning process as important and are willing to invest time and effort in that process in a way that is visible to the rest of the organization. Without that kind of obvious commitment to the planning process . . . there can be no successful strategic planning (p. 10).

At CSUN, as the strategic planning process began to unfold, the president and the chair of the SPC entered into a "strategic planning roadshow." Over a two month period, they attended 2-3 hour meetings with seventeen different units, ranging from college-based faculty to administrative and staff councils to operational support staff. For example, they (along with the authors as consultants) met with the evening shift of the plant production and maintenance workers at 4:30 a.m. These meetings sought to explain the forthcoming strategic planning process and to understand concerns and/or answer questions. Concurrently, the Provost and Vice-presidents made strategic planning a standing agenda item at their management meetings and in presentations to campus groups.

The President met with community groups and media representatives to promote the strategic planning process and to invite input and scrutiny. At different times, community groups expressed support for the strategic intent and directions that emerged, thereby adding momentum to the process; all the strategic planning retreats received good media coverage.

Taken together, these activities, along with the implementation of a high involvement model and the continuous inclusion of strategic planning status reports in executive memorandum, provided a tangible message of unified commitment at the top to the campus community. These activities also served as a vehicle for initial executive and campus discussions of envisioned futures and as an invitation to broader participation.

#### **Developmental Factor**

In the classicist view of strategic planning, the formulation of organizational statements specifying mission and guiding values/principles, vision, and strategic initiatives represents the underpinning needed to establish both an operating philosophy and the distinctive strategies to "drive" the organization. Not surprisingly, this developmental process is often accompanied by distrust and resistance as the status quo is questioned and as organizational members perceive possible changes in resource allocations and influence (c.f., Rowley et. al., 1997:268-272; Goodstein et. al., 1992:47-48). At CSUN, the developmental process highlighted some of the structural schisms within a university setting that can affect the readiness of units and/or individuals to support a strategic planning effort. We concluded that it is inappropriate to think of a university as a single entity and that planners must be attentive to variations within the culture.

### **UNIVERSITIES AS DISTINCT BUREAUCRACIES**

The dominant structural mindset within most organizations, including universities, is the bureaucratic paradigm, characterized by (1) high functional differentiation, (2) rigid hierarchial relationships, (3) bounded, specialized role responsibilities, (4) formal interactive rules and regulations, (5) predominantly downward communication, and (6) centralized authority and decision-making. Commenting specifically on the continuance of bureaucracy in today's world, Mills (1993) states, "The traditional hierarchial structure . . . is more than just a system that has outlived its usefulness -- it is a clear and present danger . . ." (p. 13), while Dolence and Norris (1995) assert that "bureaucracy and its culture are incompatible with an Information Age organization" (p. 72). For strategic planners (and other change agents), there is the risk of bureaucratic persistence delaying and then undermining the development process.

The formal structural arrangement at CSUN included the Executive Office, Administrative and Financial Affairs, Student Affairs, and Academic Affairs, each with a well-defined bureaucratic design. Throughout the developmental process, proposed strategic initiatives and goals by one area were frequently perceived as threatening by another area. The ensuing debates were constrained by the need of each area to follow its own prescribed protocols. As consultants, we spent an inordinate amount of time extolling the benefits of blurring boundaries, while administrative councils and individuals worried about their positional power and influence. As a consequence (given the high involvement model), the strategic goal setting process took over six months and, from our perspective, resulted in many compromises that (we believe) weakened the overall plan and increased skepticism regarding successful implementation.

More surprising to us, however, was the emergence of very distinctive behavioral patterns within these bureaucracies. For instance, whereas the members of Administrative and Financial Affairs both adhered closely to the formal chain of command and often established themselves as the guardians of "doing things right," the members of Student Affairs maintained strong interpersonal relationships with their leadership and sought a more "laissez-faire" campus. In Academic Affairs, the faculty behaved as though the university was a voluntary organization; that is, during the retreats and in campus discussions, they noted that the university could not successfully move toward a new, envisioned future without their support and that they could maintain the status quo by meeting their instructional and teaching obligations, ignoring the outcomes of the strategic planning process. Given that faculty comprised nearly 85% of the university staff, this volunteer mentality increased their bargaining position throughout the process and raised tension with the president. Succinctly stated, the successful development of CSUN's strategic plan required both content development and an ability to work with different behavioral frameworks in each major area.

### UNIVERSITIES AS NATION STATES

It is commonly accepted that organizations, like nations, have identifiable cultural characteristics and that the culture of an organization can affect strategic planning considerably. As asserted by Goodstein et. al. (1992):

An organization's culture provides the social context in and through which the organization performs its work. It guides the organization's members in decision making, how time and energy are invested, which facts are examined with care and which are summarily rejected, which options are looked favorably upon from the start, which types of people are selected to work for and in the organization, and how practically everything else is done in the organization. The culture of an organization will either facilitate or hinder both the strategic planning process and the implementation of the plan that process produces (p. 16).

Similarly, Bryson (1995) concludes that "the organization's culture will affect which issues get on the agenda and how they are framed and it will also affect which strategic options will get serious consideration . . ." (p. 104)." Yet, the cultural components -- shared values, beliefs, expectations, and norms -- of organizations rarely get discussed openly among members. Moreover, we seldom acknowledge the existence of subcultures.

Overall, CSUN was known as a commuter university with excellent instructional faculty, but aloof from its community and uncaring toward its students. Internally, there were many notable individualistic accomplishments, but limited organizational pride and interdisciplinary cooperation. Administration-faculty "struggles" dominated the landscape. Within this generalized culture, however, the CSUN case offered an excellent example of multiple subcultures that needed to be integrated to achieve a workable strategic plan. For instance, the norms of the different

colleges around such topics as language, democracy, value of applied research, and community involvement generated much distrust and, at times, hostile debate. Throughout the mission and values, strategic initiatives, and strategy formulation processes, university members spent substantial time unearthing unit-level differences and taking personal responsibility to reconcile dissimilarities so that the developmental process could go forth. Most notable, was the unanimous vote by the Academic Senate to support both the foundational work of the SPC and the President's vision, despite the fact that nearly every member took exception with some aspect of the documents. Consequently, CSUN avoided developing a strategic plan based on finding the least common denominator acceptable to all constituencies. Speculatively, such compromises may be common in many university strategic planning efforts, thereby defeating the "visionary" purpose of strategic planning; rather at CSUN, consistent with the culture, there developed a need to "fight" for consensus; the Academic Senate became the United Nations.

The imagery that emerged at CSUN was that of a loosely coupled system of nation states that needed to work together for a mutually beneficial future, but understood that their differences would often create tension. In a loosely coupled system (of nation states), units simultaneously seek autonomous distinctiveness and interdependence (Orton and Weick, 1990; Weick, 1982). At CSUN, the continued attention to the balancing of these two dimensions became the glue that held the strategic planning process together and provided the context for implementation

### UNIVERSITIES AS CHAOTIC SYSTEMS

A common theme runs through all the writing on strategic planning -- the spiraling uncertainty in organizational environments necessitates the abandonment of step-by-step planned change approaches and the adoption of nonlinear processes based on chaos theory and the science of complexity. Specifically, organizations must be capable of adapting to constant change and simultaneously reorienting themselves toward an envisioned future. The dilemma is that current adaptation can consume all existing resources and much more.

As previously noted, the turbulent environment of higher education has introduced uncertainty and instability into the institutional decision making processes. CSUN, like most industrial-age universities, valued the traditional goals of stability and order; hence, whenever the environment impinged significantly, a sense of exasperation ensued and the strategy development process slowed noticeably. For example, a sudden shift in state-level resource allocations to the California State University system during the 1995-1996 fiscal year resulted in a CSUN shortfall that forced both the cancellation of nearly 250 classes and severe cutbacks in operating budgets. To respond to this "mini crisis" involved most administrators, particularly college deans and department chairs, resulting in a lack of concern for the longer-term strategic process and a multi-month delay in regaining focus. Similar unexpected postponements took place when immediately overwhelming positive events occurred. As the university began to recover from the earthquake, for instance, there was an unanticipated "recapturing" of student enrollments. Again, the adjustments and energy needed to manage class size and schedule adjunct faculty and class space diverted the campus from the strategic planning process. During these occasions, a common reframe was "how can we concentrate on envisioned futures and alternative resource utilization when we are unable to steady the present?" Our response, usually disregarded, was "how can we make appropriate decisions when buffeted by external events when we do not share a common, envisioned future"?

In an effort to gain acceptance of the university as a member of a chaotic system, we introduced the notion of bounded instability. As urged by Stacy in *Managing the Unknowable* (1993), there is a need to embrace instability and benefit from its inherent tension and conflict - we must design organizational structures that encourage ambiguity and stimulate continuous organizational learning and innovation. Despite our attempts to gain acceptance of disorderly processes and a lack of outcome certainty as the new, "correct frame" for organizations, the need for equilibrium often dominated the campus and became the largest obstacle to success the idea of "playing on the edge" of a chaotic system was not acceptable.

### IMPLEMENTATION FACTORS

Implementation refers to managerial action taking, the specific set of activities derived from the strategy development process to guide organizational decision making toward attaining an envisioned future. This step includes "developing effective programs, projects, action plans, budgets and implementation processes [that] will bring life to

the strategies and create real value for the organization (Bryson, 1995:166)." Despite the fact that such pivotal implementation variables as maintaining executive level involvement, developing strategic thinking, establishing a supportive organizational structure, linking budgets and expected strategic outcomes, maintaining a flexible, learning environment, and tailoring supportive management development programs are well known, it is now widely accepted that at implementation many strategic plans fail. At CSUN, the transition to implementation became more difficult than the plan development process as university members recognized that momentous changes could be forthcoming.

### **REWEAVING THE UNIVERSITY**

Once CSUN agreed upon specific strategic directions, it became necessary to design new organizational structures and processes to support implementation. The key question was how to best align the university. As asserted by Tichy and Devanna (1985), in their study of transformational leaders, "The transformational leader must creatively destroy and then reweave the system of social networks to create meaningful change (p. 188)." Three examples highlight these efforts at CSUN:

1. To encourage both widespread involvement in the implementation of the strategic initiatives and boundary-spanning activities by members of the university, the President, with support from the SPC, set aside approximately one million dollars in discretionary funds for applied projects and research. Proposals needed to demonstrate how they supported a specific strategic initiative and had to involve multiple campus units. To everyone's surprise, university members submitted 87 proposals.
2. To demonstrate renewed interest in the artistic and business communities, the Colleges of Fine Arts & Communication, Engineering, and Business Administration entered into an consortium with the organizations in the entertainment industry (including the major studios), the largest industry employer in CSUN's geographic area. The jointly supported Entertainment Industry Institute concentrates on preparing students for jobs in the entertainment industry and offers internships in industry, talent, and product development.
3. To improve student achievement, a joint effort was undertaken by all of the colleges and specific units in Student Affairs and Administrative and Financial Affairs to improve K-16 performance with partner schools. Initial activities included coordinated program offerings within the public schools, development of faculty and students through joint workshops, and support for pilot educational and administrative projects. The ultimate goal is better prepared teachers and students.

These beginnings and other efforts (e.g., enhanced student advisement and support, faculty and staff development, Community Service Center) to align the university both internally and with the community received very favorable media commentary and began to "pull" the university toward a different future. Equally important, these projects were perceived by many as "breaking down" several cultural barriers that had prevented the university from changing in the past.

Underlying these successes, however, were manifold tensions. In the political arena, some perceived the developmental outcomes and the implementation processes as the beginning of a new federalism; that is, an effort by the President (and cronies) to use resource allocations for strategic initiatives as a means for further concentrating central control, thus limiting faculty (i.e., individual) and unit (i.e., states) choices. At the technological level, the increasing demands and extraordinary costs for sustaining the university's organizational capacity through building the technology and communication infrastructure overwhelmed all other initiatives; the demands of each major area seemed insatiable. In the social arena, the decision to fund only a few of the 85 initiatives increased cynicism regarding the overall usefulness of strategic planning; many members of the university community reverted back to a long range planning model, rejecting the multiyear orientation of strategic planning. Other tension contributors included an ongoing struggle among the vice-presidents regarding budget requirements, procrastination by university units in assessing their programs and reallocating internal resources to align with the strategic initiatives, and discontent over a new, performance-based reward system. Taken together, these tensions threatened the viability of the realignment efforts and created an ongoing crisis mentality.

## **CAPTURING THE QUALITY MANAGEMENT ISSUE**

While the strategic planning process was transitioning to implementation, the university was also undertaking a major program assessment and benchmarking effort. Maintaining their competence in identifying appropriate quality performance measures, university members involved in this project became spokespeople for quantitative, quality program outcomes. While such endeavors can be quite compatible with strategic planning, at CSUN, the two became competitive. Simply stated, the assessment and benchmarking members were focused on either improving low performing programs or highlighting exceptional programs. In either case, they were concerned with existing programs at the micro level. This was very appealing to campus members who wished to defend existing programs. They reverted to what they knew best, developing specific goals and claiming that they were committed to improving quality. It also provided the comfort of working within the existing university structure.

For strategic planning, however, this attention on assessment and benchmarking (at this point in time) distracted university members from the need to develop new programs or reallocate resources to align existing programs or seek new structural designs based on an envisioned future. It was too soon to discuss quality questions within a new university paradigm or to develop summative evaluation procedures -- strategic thinking was just beginning. In retrospect, the initial success in implementation was due, in part, to the ability of the senior administrators, the SPC, and the consultants to maintaining appropriate tension around the quality issue, not letting the assessment and benchmarking project usurp the quality issue and providing a continual focus on preparing for the future.

### **A CONCLUDING NOTE: THE INTERNAL-EXTERNAL CONSULTANT DILEMMA**

Sages contrive nothing, and so spoil nothing. They cling to nothing and so lose nothing.

Lao-tzu, Taoist Philosopher

Inevitably, any discussion of university-based strategic planning must ask the question, "Who should guide the process?" At CSUN, the President, with substantial input from university members, initially chose two external strategic planning firms to provide consultation. After nine months, they were discontinued and internal consultants (i.e., Glassman & Rossy) were retained. Below, we identify, from our biased position, some of the perceived advantages and disadvantages possessed by each set.

The external consultants brought a new perspective to the university. Their experience at other universities, their independence from the President, and their strategic planning design suggested objectivity in assessing the current situation and the possibility of exciting innovations. Additionally, all members of the university, whether supportive or critical of an investment in strategic planning, believed that their perspective would receive a fair hearing from outsiders. Yet, these consultant did not do well. First, they entered CSUN with a fixed model and timetable. While this was applicable in other setting, it neglected the high involvement needs at CSUN. Moreover, as their timeline began to slip, they sought to exert more control over the ensuing steps, leading university members to believe that they had a fixed outcome in mind and that their process was simply an exercise to justify a predetermined result. This was exacerbated by their early focus on developing strategic goals and action plans, rather than the developmental questions around mission, values, and vision. Second, by being off campus (i.e., only being present for planning sessions), they never learned the culture at CSUN. University members began to resent generalized statements linking CSUN to any other campus. Third, since they spent most of their campus time with the President and the SPC, their maintenance of objectivity became questionable. University members did not have the opportunity to get to know them.

As internal consultants, we had the advantages of knowing both the California State University system and the unique characteristics of CSUN within the system. We were also aware of the university's formal and informal leadership, campus and community issues, and perhaps most important, we were perceived as having both strategic planning expertise and a strong commitment to the future of CSUN. However, we also encountered some difficulties based on the simple fact that we were internal consultant. First, we had to redefine our relationship with university administrators, including the President. Second, because we were from the College of Business and used the language

of strategic planning in the business sector, we had to overcome some extreme suspicion. Third, we had no power base to maintain momentum whenever external events delayed the strategic planning process; it was easy to relegate us to the "back burner."

It is our opinion that either external or internal consultants can successfully guide university-based strategic planning processes. From our experience the critical dimension is an understanding of the unique aspects of a specific university and the ability to utilize a process approach that builds community consensus. In this paper, we have tried to highlight some of the antecedent, developmental, and implementation issues at one university, California State University, Northridge, that may have applicability in other settings.

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## **THE INDIVIDUAL AND THE COLLECTIVE: A CULTURAL PERSPECTIVE ON HUMAN RESOURCE MANAGEMENT CHALLENGES IN CHINA AND THEIR IMPLICATIONS TO THE WEST**

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### **ABSTRACT**

China is known for its large population of over 1.2 billion. With numerous economic reform crusades for the past two decades, China is making a surprisingly huge impact in the global economy, from its average GDP growth at 10% annually (Engardio, Moore & Hill, 1996) to shop floors in America. China has become one of the biggest trading partners for the United States, with an accumulated trade surplus up to \$35 billion last year (Barnathan, Crock & Einhorn, 1996), second only to Japan. About four years ago, the Economist estimated China as the 19th biggest trading nation in the world (October, 1992: 13). China's economy today is set to double in the next eight years, making it the world's sixth largest (Barnathan, Crock & Einhorn, 1996).

Indeed, China's vast market and immense pool of cheap labor are attractive to the industrialized world. Multinational corporations, from high tech and manufacturers to hotels and fast food franchisers are competing to enhance their market shares in China or falling over one another to become partners in Chinese projects. Meanwhile, many of these ventures are confronted with unique human resource management challenges, in ways that leadership and motivation models which are established and widely practical in the West do not seem to work equally in the East (Hofstede, 1990). In addition, China is divided into several unequal economic parts with the southeast outpacing other sections. Foreign manufacturers have been surprised to learn that costs of labor in the special economic zones are twice as much as for the rest of China (Anderson, 1990). Tight labor markets, on the one hand, are pushing up wages. The growing skill shortage including executive talent, on the other hand, add up to economic uncertainty in a long run. After all, China remains a developing country. Although increased mobility of cheap labor and foreign capital contributes to cost-efficiency of organizations, continued growth and stability is not to be guaranteed without productivity and innovation. Clearly, a better understanding of unique characteristics of the prevailing Chinese cultural norms, work ethics, and goals are essential to the winning of foreign investments and joint ventures, because it will facilitate their economic efforts in China. Effective models of human capital development through training, allocation, and intercultural communication are equally important to the Chinese and foreign enterprises, because it will help increase the labor force quality and productivity over time.

This paper, therefore, is intended to present a Chinese perspective on the cultural relativity of motivation concepts so that to provide implications for effective human resource management in China. It expands previous research of motivation in three ways. First, we contrast some major motivation models (e.g., Herzberg, Mausner & Snyderman, 1959; Maslow, 1954, 1970; McClelland, 1961) with the Chinese tradition (e.g., collectivism, work ethics, work and nonwork lives relationship and hierarchical stability). By doing so this paper demonstrates the cultural relativity of motivation concepts and their limitations. Second, we relate our recent cross-culture research to contemporary issues that concern organizations, everywhere (e.g., reward preferences, employee participation, and effective teams). Finally, this paper provides both a conceptual ground and practical implications for future research on China-related issues and cross-cultural comparisons.

## **PERCEPTIONS OF THE ENVIRONMENT AS A BUSINESS ETHICS ISSUE**

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### **ABSTRACT**

Business ethics concerning the natural environment can be a polarized topic in terms of opinion. On one hand, Singh and Carasco (1996) represent those who advocate strong protective measures for the environment. For those holding this perspective, a livable environment is deemed an inalienable human right (Blackstone, 1974). Commoner (1988) advocates elimination of certain pollutants, so that an unhealthy environment can be prevented rather than tolerated. On the other hand, Lee (1983) state that there is a great deal wrong with the environmental movement since 1970 and calls federal regulation efforts draconian and often counterproductive. Lee argued that as 100% removal of pollutants is approached, the marginal cost of cleaning the environment is not justified.

As controversial as this topic may be, few organizations appear to have codes of ethics regarding the environment. In a survey of 202 businesses, Mathews (1987) found that 87.1% did not have such an ethical code.

The diverse environmental perspectives evidenced in previous literature are largely the opinions of various writers. Virtually nothing has been published empirically addressing the issue of how the environment is perceived in terms of business ethics. Such research is needed because if the environment is viewed as relatively unimportant by the business community, an attitude change effort may be in order. This reasoning assumes that perceptions are related to behaviors concerning (a) compliance with regulations and (b) generation and implementation of environment friendly innovation in business practice. England (1967) presents a model that identifies subjective perceptions and values as important forces on behavior in the context of ethics.

### **PURPOSE OF THE STUDY**

The present study attempts to address (a) the perceived seriousness of environmental issues as an ethical problem and (b) demographic factors that might influence these perceptions. Also, (c) relative to other ethical concerns, is the environment perceived to be the least resolved problem, the most resolved problem, or somewhere in between?

The demographic variables addressed are the respondent's gender, age, educational level, job level, type of business, and religion. Much previous literature has examined demographic variables in order to explain differences in views on ethics. Opinions concerning environmental issues, may, in part, stem from these factors. The present study attempts to describe the contribution of each demographic variable to perceptions of the seriousness of the environment as a business ethics issue. A knowledge of factors that influence perceptual differences may aid in promoting useful discussions and greater agreement concerning the environment in work organizations.

Respondents from over 900 businesses were surveyed. Results suggest that, on average, the environment is perceived as a moderately serious ethical issue. Respondents in lower job levels tended to see the environment as being a more serious problem than those in higher level positions. Also, those employed in the areas of retail, service, and accounting appeared to place less importance on environmental issues.

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