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TOUGH TERMINATION QUESTIONS: WHO, WHEN, WHERE, WHY, AND HOW

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Termination is often referred to as "capital punishment in the workplace" (Segal, 2000). When the termination or separation process is improperly managed, the traumatic nature of the situation escalates. The purpose of this paper is to provide policy suggestions on what an organization can do to minimize the occurrence of workplace aggression during employee termination procedures.

In the first eight months of 2001, the Bureau of Labor Statistics reported a net decrease in total national employment of 33,000. In the last four months of 2001, the decrease was 1,098,000. Some of these cuts were in firms that had long maintained policies that promised employees job security such as Hewlett Packard (Fortune, 2001). The reasons given by employers for the dismissals are general business or industry downturns, efforts to improve financial and operational efficiency, and competitive pressures (Gross, 2001; Peter, 1997). Workforce reductions have been accepted as a strategy to cut costs by lowering overhead, eliminating bureaucracy, and reducing surplus employees. Alternatively, downsizing can be used to seek favor with investors and financial analysts, and stock prices tend to rise in response to workforce reduction announcements (McKinley, Sanchez & Schick, 1995).

Recent studies have raised serious questions concerning the long-term effects of downsizing as a strategic response to competitive pressures. An American Management Association's study reported that only 43 percent of firms increased operating profits, and only 30 percent increased worker productivity (Peter, 1997). The AMA study also documented a profound decrease in morale with those who survive the downsizing that could result in higher turnover in the future (Peter, 1997). According to Gross (2001), the results of the empirical research suggest that "downsizing does not appear to be in the best interest of the corporation, its employees, or its shareholders."

The general state of the economy, plant closings, layoffs, and downsizing are listed as high risk factors for workplace violence (Nigro & Waugh, 1996). The "death of job security" has created feelings of powerlessness and frustration in the workplace that could lead to aggression and thus workplace violence (Filipczak, 1993). Although the declining economy has been blamed for violence, there is evidence that layoffs or terminations do not provoke violence in and of themselves. Violence may be more the result of wounded pride and humiliation that occur when the termination or separation is improperly managed. According to the results of one study, displaced workers did not complain about termination decisions rather "the manner the termination was handled." That is, the dehumanizing way the termination action was implemented (Bensimon, 1994; Schweiger, Ivancevich & Power, 1987). Perhaps the Golden Rule can guide who, when, where, why, and how to conduct the termination interviews and thus alleviate the violence (Mantell, 1994; Rothman, 1989).

IF 'STRATEGY' IS THE ANSWER, WHAT'S THE QUESTION?

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ABSTRACT

Strategy is presented as facilitating the choice of action by an organization. This view is compared to several definitions of strategy. A discussion of strategy as dealing with uncertainty follows. Several types of uncertainty are identified and discussed in relation to a continuum between natural science and social science. The normative, descriptive and formal approaches to science are then introduced. A 'scientific approach space' and a 'strategic approach space' are presented to illustrate that various combinations of normative, descriptive and formal approaches are possible. It is proposed that the type of uncertainty present and the routineness of the situation determine the approach to strategy that is appropriate in any given situation. Future research is proposed to enhance the usefulness of the 'approach space' idea to both researchers and practitioners.

INTRODUCTION

Why strategy? What is the question that 'strategy' is the answer to? I propose that strategy is the answer to this question: 'How is choosing which actions are taken in an organization framed and facilitated?' I start with the assumption that all organizational action is the result of a decision or set of decisions that lead to that action. Strategy involves establishing decision criteria and the setting in place of systems to facilitate the decision process. The decisions that arise in organizations, however, are quite varied and require significantly different responses.

SLICING UP STRATEGY

Within the considerable strategy literature there is no one clear, concise definition of what strategy is, why it is important or how to go about it. Mintzberg (1987) recognizes five separate definitions: strategy as a plan, ploy, pattern, position, or perspective. Besides differences in definition, the study and practice of strategy is defined, divided and differentiated in many other ways. Strategy can be viewed differently at various levels of the organization. Strategies may be intended or realized, as well as unrealized, deliberate and emergent (Mintzberg, 1978, 1985). Some differentiate between strategic content and process. Others separate strategies and tactics. Still others divide strategic management into strategy formulation, implementation and evaluation (David, 1989).

Strategy can also be split into routine strategic planning and non-routine strategic decision making. Typically strategic planning involves setting goals, policies and plans. Strategic planning deals with routine situations and either implement an existing tactic for programmed decisions, or develops tactics for non-programmed, but programmable decisions. It is strategic planning that enables routine decisions to become programmed. Goals, policies and plans allow non-programmed decisions to become automatic actions. Consider an inventory control system that tracks usage and levels and contacts a supplier when reordering is necessary. In such a system the action of reordering inventory hardly seems the result of decisions, yet without decision rules managing inventory efficiently would be nearly impossible. In line with differentiating between strategy and tactics, I consider strategic planning to be about implementing and developing tactics. Non-routine decisions such as building a new plant are difficult to program. I consider these non-routine, unprogrammed decisions to be strategic decisions.

Strategic planning and the strategic decision making process are not distinct categories, instead they fall on two ends of a continuum. Returning to the example of inventory control, we can imagine a wide variety of situations in which organizations might find themselves. For a supermarket, the reordering of canned goods from a warehouse is highly routine, automated and programmed. For the same store, the ordering of seasonal goods is somewhat less routine and programmed. The demand is not steady, and the effects of weather and fashion are difficult to anticipate.

UNCERTAINTY, SCIENCE AND SCIENTIFIC APPROACHES

Strategy may be viewed as an attempt to deal with uncertainty or to convert uncertainty into risk and then deal with risk. The typical interpretation of the differences between uncertainty and risk are that risk is quantifiable and known, whereas uncertainty is either quantifiable but unknown or not quantifiable. The distinction between uncertainty and risk rests on the distinctions between quantifiable and not quantifiable and between known and unknown quantities. Under risk the likelihood of an event occurring and the consequences of the event must both be quantifiable and knowable.

Some split uncertainty along objective/subjective or quantitative/qualitative lines. Spender (1989) uses a split between positivist and phenomenological points of view and further divides positivism into irrelevance and ignorance and phenomenology into incommensurability and indeterminacy. His basic split between positivism and phenomenology is primarily a split between mind independent reality and socially constructed reality. This way of dividing reality parallels the traditional dividing of science into natural and social science.

Dividing of science into natural and social science is misleading. Patterns of behavior and organization in social groups greatly separated by time, geography and even species often resemble each other and seem to follow very similar rules. There are remarkable similarities between R&D teams in the ancient Greek city-state of Syracuse and those in modern corporations. The similarities in structure and organization are because the situations are similar and therefore the methods that work effectively and/or efficiently will be similar. To some degree there are natural science type laws that affect societies. Similarly the interpretations and implications of natural sciences affect societies. Considering these interactions, it should be apparent that sciences are not clearly divided into natural and social science, but lie within a continuum.

Besides the natural/ social distinction, the sciences are often divided into normative, formal and descriptive (or empirical) sciences. The normative sciences are concerned with standards and norms, specifically those relating to human conduct. The philosophical study of ethics is an example of a normative science. Formal sciences, such as logic and mathematics, are characterized by the use of abstraction of form and structure. Plato's theory of forms is an early and influential example of a formal science approach. Botany is an example of a descriptive science based on observation and experience of natural phenomenon.

Normative, formal or descriptive are not mutually exclusive types of science, but they represent different approaches to science. Economics has characteristics of all three approaches. Certainly there is observation and experiences relating to economic activity, supporting a view of economics as using a descriptive approach. A glance into any basic economics text will show abstract mathematical analyses and derived formulae, revealing a formal approach. Evaluating what economic behavior is appropriate for individuals, groups and society as a whole is normative. Using economics as an example it seems as though a science can simultaneously use normative, formal and descriptive approaches.

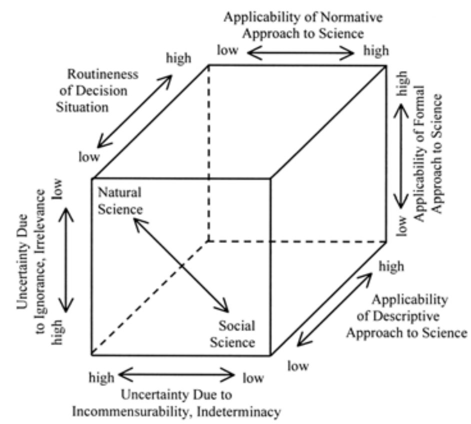
Both normative and descriptive work is common in the social sciences. There is a place for both because how an organization should ideally act and how it does act are often different. Taking a descriptive approach provides insight into social scientific phenomenon. Analysis of observations is used to confirm proposed relationships between constructs or uncover unexpected relationships. Normative considerations may help provide prescriptions for action.

A formal approach to the study of social sciences is useful only when studying the aspects of socially constructed reality that follow the natural science type laws. At the abstract extreme, social science does not follow such laws; therefore a formal approach is inapplicable.

Descriptive and formal approaches are both useful in the natural sciences. Taking a descriptive approach provides insight into natural scientific phenomenon much as it does for social science. Formal analysis of the findings of a descriptive approach can then be used to explain the observed relationships. Conversely formal analysis can indicate relationships which can then be tested through observation. When observations are impossible or when correspondence rules are unavailable formal analysis can be used to support and develop proposed relationships between constructs.

In the natural sciences a normative approach is often of little use. The way that two chemicals under certain conditions should react is invariably the way that they do react. The distinction between descriptive and normative applies only to socially constructed phenomenon that does not obey natural science type laws. When phenomenon obey natural laws, the normative is eliminated because no choice is possible.

Figure 1 - Science/Strategy Approach Space



The three approaches to science can be used in combination, to create a 'scientific approach space' (Figure 1). The continuum from natural to social science can be projected onto the space, with increasing applicability of a normative approach and the decreasing applicability of formal approach as one moves along form natural to social approaches. The descriptive approach can be used all along the continuum, creating a third dimension. Any combined approach to science can be placed within this space.

The study of strategy can be mapped onto the approach space. The labels that indicate uncertainties and routineness represent a 'strategy approach space'. When the types of uncertainty encountered and the routineness of the situation are identified, we can choose where in the space the appropriate approach lies. The kind of uncertainty encountered determines the degree to which formal and normative approaches should be used and the routineness of the situation determines the degree to which descriptive approaches should be used.

The specific strategic approach depends on the type of uncertainty being addressed. Using Spender's typology, irrelevancy and ignorance are the forms of uncertainty addressed by formal approaches, whereas incommensurability and indeterminacy call for normative approaches. Lower levels of uncertainty are easier to deal with; therefore each approach is most applicable at low levels of the associated uncertainty. A high level of uncertainty implies that the situation is difficult to resolve.

Irrelevance can be dealt with by gathering and analyzing data and determining relationships between constructs. When the underlying relationships are uncovered, the relevance of specific constructs can be determined. The gathering and analysis of data is also the way that ignorance is dealt with. The availability of data, the ability to gather data in a useful form and availability of appropriate and effective analytical techniques limit the researcher in dealing with irrelevance and ignorance. Irrelevance is further limited by the possibility that relevant constructs are not being considered. Relevant notions that are not considered account for much of the error terms in regression equations. A descriptive approach is needed for the gathering of data. As analysis proceeds the focus shifts to a more formal approach. Spender considers ignorance and irrelevance as dealing with facts; therefore a normative approach would be inapplicable.

Indeterminacy can be helped by a descriptive approach. The aspects of social reality that are not constructed by oneself may be derived from observation. The major problem is in the interpretation of what is observed. Indeterminacy is much like ignorance. They both deal with the lack of knowledge, which can be addressed somewhat by observation. They also must overcome the problems associated with observability and interpretations of observations. The social science nature of indeterminacy however makes a normative approach possible. What ideally should be is not the same as what is observed.

If incommensurability is assumed to be a matter of apparent internal inconsistency that can be reconciled with further insight, a descriptive approach is called for. If incommensurability is not assumed to be reconcilable, a normative approach is called for. Without an assumption of reconcilability it is important to be aware of what you believe and what things mean to you and to examine these beliefs and meanings in relation to those of the rest of society, rather than strive for consistency with regards to each other.

In addition to the types of uncertainty present, the appropriate approach to strategy depends on the routineness of the situation. Routine decisions have more available information, allowing for a descriptive approach based on observation and analysis. The unique or rare decisions will have less available data, making a descriptive approach difficult.

Further research should try to elaborate and map the strategic approach space. This would involve further exploration of the three types of approaches, clarification of the types of uncertainty, and refining the concept of routineness. This could be done for both researchers and practitioners. For researchers, it allows for the identification of appropriate approaches to research. The techniques used in different parts of the space can be mapped. This will show where the field is in need of methodology and focus the development of it. Researchers may also be made aware of when they are using the wrong approach or methodology.

For practitioners or researchers that are applications oriented the techniques for programming decisions can be mapped into the space. As with the research perspective, the mapping show where the field is in need of techniques, focus the development of techniques and show strategists where they are using the wrong approach or methodology.

In conclusion, the 'question' that 'strategy' is the answer to depends on the type of uncertainty addressed and the routineness of the situation.

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OPEN BOOK MANAGEMENT AND SRC

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ABSTRACT

Open book management (OBM) is a business model that involves companies sharing their financial information with employees. The application of OBM requires educating employees to read and understand financial documents. OBM attempts to motivate workers by linking workers' daily jobs to the company's overall financial performance and giving workers an incentive to improve performance. Springfield Remanufacturing Company, a leveraged buy out from International Harvester in 1983, has popularized OBM and serves, even today, as the leading proponent of this revolutionary business model. As an example of the effectiveness of this model consider this - their revenue grew from $16 million to more than $100 million in 15 years while their share price increased 380%.

INTRODUCTION

Open Book Management (OBM) gained attention in the 1980's, when Missouri's Springfield Remanufacturing Corporation (SRC) implemented this new business model. Under the directions of CEO Jack Stack, the company realized success from following the OBM philosophy. Stack referred to the process as "the Great Game of Business" and a "no-excuses management" technique (Robertson, 1997). Stack states in his book, "The Great Game of Business", that the more educated a company's workers, the more able they are to do the "little things" necessary to improve the company. OBM supplies workers with the tools to enable them to make the "right decisions" (Stack, 1992).

Since its beginning, hundreds of companies have implemented OBM with many successes mingled with a few failures (Case, 1998). It is currently estimated that "only one percent of U.S. companies fully embrace the idea" (Dalton, 1999). This may be an indication that OBM is not completely understood today by many business people. OBM has also received scant attention by academics. Only one true empirical study has been conducted (John Case, personal communication, January 11, 2002).

The general basis for OBM is elementary. All a business must do is teach employees about financial statements and key information, give them an incentive to increase the company profit, and stand back as the money starts rolling in. Implementation of OBM is not quite that basic or simple, though. To begin with, OBM demands an environment of trust between employees and management. Employees must believe they will receive what was promised to them. Management must believe that the information released will not be used against them in any way and that it will be used to help better the company (Stack, 1992).

OBM does involve the sharing of company financial information. It also involves profit sharing, good communication, and employee understanding of the whole picture. The idea is to connect company results to each employee's job and make everyone responsible for the company's profit. Thus, each employee must understand how their job affects the company's bottom line, and have incentives to motivate them to care if they improve the company (Robertson, 1997).

IMPLEMENTATION

The CEO must fully embrace and understand OBM in order for it to be successful. Management must also embrace and practice the notion that employees are partners, not subordinates (Shift to OBM, 1998). Businesses wishing to develop an OBM culture must develop a plan before any action is taken. Ian Jacobsen identified five key questions companies need to have answered before implementation. The companies should know what the financial goals are, who will do the training and the amount of time required, how results will be communicated to employees, how they will track employee involvement and how they will reward employees (Perry, 1998).

Education is an essential element of OBM. Employees need to understand the business and the industry. They need to know and understand their company's competitive advantage and strategic plan as a foundation on which further understanding can be built (Cooke, 1996). Employees must also receive training on the financial statements. Employees must learn what the numbers on the financial statements mean and what affects and influences the numbers (Case, 1998).

More knowledgeable workers further increase employee empowerment because workers are better able to make informed decisions. All employees should eventually be able to contribute to the discussion of strategic goals and plans. Employees should also be involved in the identification of "critical numbers" (Case, 1998). Critical numbers are those performance metrics that determine growth, success and sometimes survival.

The education required for more financially knowledgeable workers can be costly and time consuming whether it is done internally or someone is hired to do it. Management must be willing to answer questions employees may have about the numbers. Education is essential for employees to feel they can influence the company and control the numbers that affect their bonus or other incentives (Perry, 1998).

Companies have developed various training methods. Wascana Energy Inc. uses a computer game to help employees learn their business (Robertson, 1997). Paradigm Learning Inc. of Tampa developed Zodiac, a board game designed to teach employees financial statements (Dalton, 1999). Many OBM training and monitoring systems involve key indicators that are traced regularly and posted for all to see. A scoreboard is often used to display results. They can view this as a game and monitor their own progress (Perry, 1998).

Incentives for employees must be put in place to facilitate OBM. Workers will become actively involved only if they are aware of the benefits they will receive. The reward systems for OBM should include bonuses, profit sharing, or stock ownership (Perry, 1998).

It is essential that the reward system be carefully thought out, evaluated, and monitored. Employees will do what the incentives demand. Incentives can be put in place for specific outcomes, but have unexpected negative affects or results. Management needs to ensure that incentives are used to offset the negative affects and results. Rewarding employees based on performance motivates and encourages employees (Perry, 1998). Ongoing communication and training is vital for success. It is also helpful if the process can be fun for all involved (Cooke, 1996).

BENEFITS

OBM can result in many benefits for the company if properly implemented. While companies vary in culture and OBM design, companies successfully implementing OBM characteristics often realize some common benefits.

The result of OBM is more of a focus on reasons for success and failure. Employees begin to understand how they can positively effect the company and why they are important. They comprehend the whole picture allowing them to feel more a part of the organization and thus more committed to improving the business (Buhler, 1999).

OBM enables employees to track their own performance. This ability to monitor their work and their contribution to the company's success is motivating for workers. They work harder when they can see directly how they are improving the company (Managing by the Book, 1995). As workers are armed with more knowledge and empowered to make decisions affecting their work and the company, their jobs become more meaningful and satisfying. Workers who enjoy their jobs and feel important will make a greater contribution to the company (Perry, 1998). This results in employees who are more conscientious in their jobs, feel more responsible for their actions and are more committed and loyal to the company.

Mere knowledge of how they affect the company is not enough to motivate employees over time. They require employee incentives to ensure employee commitment. OBM strives to make employees behave like owners. In order for employees to act as if they are owners, they must have a stake in the performance of the business. Workers must be rewarded as if they were owners. If they help improve the company, they should know it will directly benefit them. Employees focus on what will enable them to receive rewards. Incentives are key to improving the company via OBM. The reward system can be linked to job specific measures, departmental measures, overall company measures, or some combination of these (Robertson, 1997).

Bonuses typically reward short-term performance that positively impacts the company. To offset this, OBM encourages stock options or other forms of equity ownership to encourage employee decisions and actions that have long-term results to help the business (Robertson, 1997). This links for employees more than just the numbers they affect in their daily work, but also the overall long-term performance of the company. If they positively effect the company's profitability, so is the worker's personal financial position enhanced (Chambers, 1997). Employee ownership has many beneficial results for companies. Due to the worker's knowledge that they will personally benefit from the success of the company, employees care more about their organization. Lower turnover, higher morale, and better performance have all resulted from employee ownership according to research done on companies who have implemented the ownership culture (Chambers, 1997).

OBM requires increased communication among the various levels of the organization. There must be communication as targets or goals are set jointly by management and workers (Robertson, 1997). Empowered and knowledgeable employees will have more useful input. They should be included in planning and forecasting. Communication will increase as employees are held accountable for their results. They must examine and explain good and bad numbers. Communication should also involve explaining periodic company or departmental results and answering questions (Buhler, 1999).

A study of fifty OBM companies by the National Center for Employee Ownership found that OBM companies averaged revenue increases 1.66% faster than competing companies without OBM cultures. The revenue increase jumped to 2.2% if the OBM technique used included employee ownership (FYI, 1998). An additional study conducted by Ernst & Young concluded that 86% of those surveyed would be more motivated if informed about company financial data (Buhler, 1999).

POTENTIAL PROBLEMS

A particularly large obstacle companies attempting OBM have to overcome is changing their customs and culture. Management is often hesitant to release formerly undisclosed information in fear of reactions, demands, or disloyal use. They may not want to devote time to training, explaining, or answering questions. The workers may not be excited about gaining knowledge or empowerment. They may have no interest in learning about the company or it's financial statements. The employees might like having no responsibility or accountability, which enables them to show up, put in their hours, and go home (Dalton, 1999). OBM puts more pressure on employees and managers as they are forced to work together to better their company. Implementing the technique can be quite challenging, especially if employees resist.

Jack Stack identifies three great open-book management fears to overcome in his book "The Great Game of Business." The first fear identified is the fear that critical numbers will get into competitor's hands. However, this can be countered with the belief that the knowledge of a competitor's numbers is a short-term tactical advantage at most. This short-term advantage is nothing that compares with the advantage of educating workers about the company's numbers. The second fear to be overcome is the fear of employees not understanding the numbers. This fear may be true, but Stack believes that being open with workers is better because when the numbers are not known people make assumptions that are often very incorrect. The third and final great OBM fear, identified is the fear of revealing bad numbers. However, to build trust management must share the bad with the good and realize that people can pull together in the face of challenge (Stack, 1992).

John Case identified some challenges facing OBM companies today. Employees are the key to open book management success. If they are not willing to trust, learn, and be motivated by the challenges, OBM will not succeed. Thus companies must ensure they hire not only because of ability but also for attitude (Case, 1998). OBM also requires that substantial time and attention to be devoted to employee feedback. The extensive training requires time and money. As already mentioned, effective compensation systems must be developed. Case also emphasizes the danger of an elaborate OBM system forced down from the top. A step-by-step, gradual implementation will have a greater chance of success (Case, 1998). This allows everyone to get used to the new technique and see that it can produce positive results. Once the concept is understood and accepted, it will be easier to incorporate the OBM culture into the company culture. Games are a way to begin to involve employees and focus their attention on key numbers (Case, 1998).

Private companies can face another challenge as company financial data is closely associated with the owner's financial data (Dalton, 1999). This makes the data even more sensitive and hard to disclose to employees. Private companies planning to go public (and public companies) face a unique legal challenge with OBM. This stems from the Securities and Exchange Commission's restriction on the information that can show to employees before they make it available to the general public (Dalton, 1999). Companies in this position must consider the options available and pursue the strategy most suited for their company. Legal advice is essential in this instance.

OBM can cause too much focus on short-term profit or other key measures. This short-term focus can endanger long-term growth and goals (Dalton, 1999). As discussed previously, employee ownership programs can be set up to offset these potential negative effects. If employees are not given ownership, or are forced to be a part of the program, they may choose not to purchase stock. The bonuses and other incentives could then cause these employees to pursue personal gain over company goals (Dalton, 1999).

CONCLUSION

OBM has provided evidence that informed, dedicated employees who have an ownership interest in their firms could have a profound influence on the success of the firms. This is hardly surprising news. What is surprising is that less than 1 % of American businesses have adopted this business model despite the overwhelming evidence that the old "command and control" philosophies seem less and less able to cope successfully with the dynamics of the late 20th century and early 21st century.

SRC (under Jack Stack) has certainly done more than one might expect to bring this new business model to the attention of business leaders. SRC offers regional and national meetings to popularize OBM and has a catalog of training modules, films and on site tutorials to teach the principles of OBM. We posit this rather unusual business model needs the serious attention of academic researchers. Although much has been published about OBM, the vast majority of writings have been in the practitioner journals rather than the academic journals. Attracting academics to the rigorous examination of a new construct or model is not easy. One of the problems is the question of convergent and discriminant validity. Do the various writers who have extolled the virtues of OBM seem to agree on the basic principles? If one looks at the writings of Stack (1992) and Case (1998), there is an obvious parallelism in terms of similar basic principles. So, convergent validity seems not to be a problem. The question of discriminant validity remains open. It is difficult to separate the principles of OBM from other business models like Quality of Work life and TQM. Does all of this mean that OBM is "doomed" to suffer a lack of attention from academics?

Perhaps not! One approach might be to examine OBM through the lenses of other well-known business gurus. Gary Hamel (2000), for example, has written extensively about a business model he calls "Gray-Haired Revolutionaries" - firms that rapidly innovate and change their strategies to address the problems of surviving, thriving and excelling in the chaotic age in which we live. He proposes five design rules for firms wishing to become Gray-Haired Revolutionaries. Design Rule 1 is to have unreasonably high expectations. Clearly, SRC met this criteria. In 1983 they had an 81 to 1 debt to equity ratio. The expectation of survival and success was an extraordinarily high expectation. Design Rule 2 is to have an elastic business definition. In the last twenty-seven years. SRC has moved into a bewildering group of new business. They have, for example, spun off 22 new businesses in the Springfield, MO region - a remarkable record! Design Rule 3 is to have a cause, not a business. SRC's cause, basically, is to create wealth for all employees and they have done this. Design Rule 4 is to encourage "new voices". SRC meets the test here also. Virtually every employee is tasked not only with learning their job well, but coming up with ideas for new businesses, new processes and cost saving innovations. The payoff (to the individual employee) is direct bonus payments, quarterly performance bonuses and equity (ESOP). Design Rule 5 is to create an open market for ideas. This, too, SRC has done. Former SRC employees - frequently hourly employees who came up with the business idea, head most of their new businesses. So, OBM (at least the SRC version) clearly qualifies as a model for a new Gray-Haired Revolutionary.

Future research might also examine the influence of OBM when integrated with other management techniques. For example, much research has been conducted on the effects of ESOPs on subsequent organizational performance. These studies often have a maintained hypothesis that ownership in and of itself will lead to improved performance. A potential moderator of this relationship is OBM. That is, ownership by itself may not lead to improved performance unless it is coupled with information sharing and education as suggested by OBM. Another fruitful area for research appears to be the integration of OBM in an organization using the Balanced Scorecard (BSC) concept. A testable hypothesis would be to examine whether the BSC is more successful when implemented using the OBM philosophy of openness, trust and equity.

One can also see many similarities between OBM and the current thoughts and writings of Peter Drucker and Tom Peters. Thus, it is probably safe to say that OBM is a business model well worth examining from an empirical perspective and certainly worth thinking about implementing in firms facing the exigencies and uncertainties of the early 21st century.

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A NEW STRATEGY: COULD IT SPELL RELIEF FOR EMPLOYERS FACING INCREASED HEALTH BENEFIT EXPENSES?

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ABSTRACT

According to a recent article in the Wall Street Journal (Martinez, 2001), employers expect their healthcare costs to rise nearly 13% in 2002, with some companies expecting to be hit with increases of 20% or more. This paper examines one proposed solution to rising healthcare costs, medical savings accounts (MSA). Medical savings accounts allow consumers increased self-determination in their healthcare decisions, bypassing third-party payers such as insurance companies and managed care organizations. The MSA concept is gaining the attention of the would-be reformers. Theoretically, savings occur due to participants having a personal stake in the benefit vs. cost of healthcare services. Are escalating health-care costs the result of systematically participating in what Stephen Kerr (1975) describes as "The Folly of Rewarding A, While Hoping for B"? There are few incentives in our current health care delivery system that encourage cost conscious behavior on the part of consumers. MSA advocates state that new MSA provisions in legislation slated to come before congress this year will provide incentives which will benefit employees and employers alike, while at the same time reducing the level of cost increases associated with providing employee health benefits.

INTRODUCTION

Prior to 1965, most health care spending was primarily controlled by the fact that the majority of expenditures were paid directly by patients. There were catastrophic policies sold singly and attached to other forms of insurance, but much acute treatment and nearly all elective treatment was at the discretion of the consumer. Direct consumer control resulted in health care being more subject to market forces, but it also excluded the poorer segment of the population. Since then, however, Medicare and Medicaid have expanded government third-party insurance involvement to many of the nation's elderly and poor, and private health insurance has been the provider of choice for the working population.

The net effect has been that there has been greatly reduced competition in the medical field, which has allowed prices to escalate at alarming rates in the ensuing years. The percentage of health care expenses that are paid with other people's money is significant in that 95 percent of the money Americans now spend on hospitals is someone else's money at the time it is spent (Lindsey, 1993).

One proposed solution aimed at returning some level of competition in the medical field involves offering everyone the opportunity to participate in Medical Savings Accounts (MSAs).

A medical savings account (MSA) health plan consists of a savings account coupled with a high deductible health insurance policy. The insured person pays for routine, covered medical expenses through the account; the insurance policy covers more considerable costs. According to Scott Krienke (2001), the cost of the policy is significantly less than the cost of a traditional low deductible policy, but it provides comparable protection from catastrophic illness, long hospital stays or an unusually unhealthy year in general. Savings that are realized from buying less expensive coverage are used to make contributions to the savings account. Any dollars left unspent at years' end, including, interest or investment earnings, are available for the next year's expenses.

It is this combination of lower premiums, tax advantages, and accumulated savings in the account that makes MSA plans more attractive than traditional health insurance. Research indicates that when employees share in the savings/expense of providing services, cost savings result without a rise in negative health outcomes (Tanner 1995).

Two questions which may be posed in response to those who advocate MSA programs as an effective means to control escalating health care costs are:

> "How will this program accomplish savings in addition to those achieved by managed care organizations?" and "What incentives will MSAs provide that are not already available through Flexible Spending Accounts (FSAs)?".

PREVIOUS ATTEMPTS TO CONTROL HEALTH CARE EXPENDITURES

Two programs that were developed to assist in the control of increased health care expenditures are managed care plans and Voluntary Flexible Spending Accounts. Managed care plans have been effective in reducing the costs of providing medical care because they require providers to be more conservative in their treatments. Plan managers control access to specialists and limit the numbers of diagnostic tests that providers of care will be paid for. The effect of these regulations has been a reduction in the reliance on specialists for common maladies, and doctors ordering far fewer tests. These measures have reduced much unnecessary spending for health care, however, it has become apparent that managed care plans largely have realized all the savings they can through those means, and are now faced with their own cost pressures, as is the rest of the industry (Poplin, 1996).

Though voluntary Flexible Spending Accounts (FSA) for medical care have been available at some large companies since the mid-1980s, requirements set by the federal government concerning these accounts prevented individuals from benefitting extraordinarily from them. Employees of those organizations offering Flexible Spending Accounts could elect to have a specific amount withheld from their paychecks for the purpose of being applied to their FSA in an amount that anticipated their total annual expenditure for medical co-payments and dependent medical care. Expenses including prescriptions, medical co-payments, eye care, and dental services were generally eligible for payment through the employee's FSA account, but any amount not used in the calendar year was forfeited. FSA accounts earn no interest and do not transfer with the employee. FSA accounts offer little incentive for individuals to monitor or reduce medical spending. In fact, given "use it or lose it" provisions of FSA accounts, many participants search for ways to spend plan dollars prior to the plan year end, so as not to lose accumulated savings. Having adopted proposed solutions to escalating health care costs such as managed care and flexible spending accounts, why are employers searching for yet another solution?

EMPLOYERS DILEMMA

According to a recent report in the Wall Street Journal, employers expect their healthcare costs to rise nearly 13% next year, with some companies expecting to be hit with increases of 20% or more. The article cites a survey conducted by William B. Mercer Co. (employee benefits specialists) -- of more than 2,800 employers – stating that the average cost to companies for each employee's healthcare benefits rose 11.2% to $4,924 in 2001. This is reportedly the largest increase in nine years, currently growing at a rate several times faster than inflation (Martinez, 2001).

The double-digit healthcare cost increases come as a weakened economy is eroding corporate profit, compounding financial problems. The magnitude of this problem increases when considering numbers of aging baby boomers in the work force who will require more medical attention and prescription drugs over the next decade, as participants increasingly fight tight health-plan rules.

According to recent government projections, healthcare spending in the U.S. is expected to double over the next decade to $2.6 trillion, with U.S. businesses picking up a significant portion of the tab. That is a particularly troubling trend for a company like General Motors Corp., which spent $4 billion on health care in 2000 (Martinez, 2001). Because of agreements with its unions, GM can't easily make changes to its health benefits. Instead, the company is focusing on ways to better educate employees about costs. Insurers and employers agree that one of the most effective ways to teach America's workers about healthcare costs is to make them pay for more of it. MSAs offer the opportunity to reward employees who attempt to reduce the costs associated with their own health care.

The primary benefit of the MSA is that it returns responsibility for sound financial decisions to the individual. Under the current system most patients are neither rewarded for spending wisely nor penalized for spending foolishly. While MSA's offer financial incentives to employees who control medical spending, some question whether employees would willingly participate in such a program.

HOW WILL EMPLOYEES REACT TO MSAs

In response to such questions we would like to review some benefits available to participants in MSAs that are not available to individuals participating in traditional insurance plans. Some of the advantages of participating in a Medical Savings Account include the following:

1. Contributions to an MSA are made pretax thus reducing taxable income.
2. Health plan premiums for high deductible policies are considerably less than premiums for traditional $300 deductible / $20 co-pay plans.
3. Contributions to the MSA not paid out for medical expenses accumulate tax-deferred until retirement.
4. Investment options for fund balances provide significant earning potential for unused funds.
5. Funds may be withdrawn for personal reasons prior to age 65 (this does involve a 15% penalty for early withdrawal in addition to ordinary income tax).
6. At retirement, the individual can continue to use MSA funds tax-free for medical expenses, or withdraw the funds and pay ordinary income tax.
7. MSA participants select providers and services they want. Services that may not be covered by other insurance (i.e., cosmetic surgery, contact lenses and orthodontic treatment) can be paid with the MSA.
8. MSAs usually provide easy access to funds through debit cards, check-writing privileges, or on-demand disbursements.
9. MSAs are portable because they belong to the individual (even those funded by an employer).

Given the advantages to employees participating in an MSA versus those available to employees participating in a traditional insurance program, it is quite likely that employees will enthusiastically support the adoption of MSAs by their employers.

WHY MSAs?

Perhaps the single most oppressive obstacle we face in the US with reducing the costs of medical care is that any program yet attempted has served to reduce the patient's autonomy in choosing their own path. Those who have had unlimited access to care have become accustomed to accessing that care at any time they choose, and many resent losing choice affecting their ability to control the number and quantity of services they access. Analysts suggest that the middle-aged are least satisfied with health care procedures today, because they have grown up with the "old" system and now have been required to acquiesce to the demands of economic reality ("Poll: Americans," 1999).

Though the fear among many of the critics of MSA-funded health care is that individuals will forego preventive or necessary care if they are allowed to keep any funds remaining in their MSA accounts at the end of the calendar year, studies have shown that is not the case (Tanner, 1995). Today, 30-plus years after people began envisioning how consumers might be given more health care financing options, the White House administration has made a commitment to turning this vision into reality-by making MSAs permanent, more attractive, and available to greater numbers of people.

Many people are not aware that MSAs are currently available to a restricted group of individuals in our society. Congress established a temporary pilot program in the mid-1990s and access to MSAs was restricted to employees of small companies with 50 or fewer workers, the self-employed, and other individuals without existing medical insurance.

Guidelines within the bill delineate the maximum deductible and out-of-pocket expenses permitted before a medical savings account plan qualifies for favorable tax treatment. These guidelines set the maximum deductible on individual health care plans at $2,300 and a maximum deductible for health care plans covering families at $4,650. Annual contributions to the account are limited to 65% of the health care plan deductible in the case of individuals and 75% in the case of families (e.g., a family electing a policy with a $4,650 deductible would calculate their maximum allowed contribution to the plan as follows $4,650*.75=$3,487.50).

Under the current guidelines, any money that is left in the Medical Savings Account can be rolled over to the next year for future health care treatment. Distributions may be made for non-medical expenses but are considered income and subject to regular income tax rules and an additional 15% tax unless made after age 65, death, or disability.

President Bush has proposed changes to MSAs that will be addressed by Congress this year. Proposed changes include:

**Elimination of restrictions related to employer size, and expanding eligibility to any individual covered by a high deductible health plan.*
**Elimination of the current cap on the total number of MSAs (750,000).*
**Increase participation by expanding eligibility to any individual covered by a high-deductible health plan.*
**Lowering minimum annual deductibles (from $1,600 to $1,000 for individuals, from $3,200 to $2,000 for families).*
**Increasing maximum allowable tax-deductible contributions to 100% of the deductible.*
**Allowing employees and employers to combine their contributions to the MSA in order to reach the maximum contribution level.*

The authors feel that employers and employees would welcome adoption of the changes proposed in the Bush-sponsored legislation.

Conclusion

It is apparent that employers, employees and our society in general are calling for health care reform and realignment of costs. Our current system of health care did not magically metamorphose into a nightmare, and there likely is no single step that can rectify all problems within the current system or prevent problems of the future. While we recognize that MSAs will not serve as a magic bullet to eliminate escalating health care costs, we do feel that they may be more effective than measures of the past which failed to reward cost conscious behavior on the part of consumers of health care services.

Why have so many people, representing so many points of view, decided that personal Medical Savings Accounts are essential to health care reform? Because MSAs may be instrumental in reaching several important goals: (1) controlling health care costs while maintaining the quality of health care, (2) allowing more Americans to be covered by affordable private health insurance, (3) and increasing competition among health care providers.

Perhaps elements of the free market economy which made this country great will also assist in solving some of the problems we face funding health care plans for employees and our society in general.

COGNITIVE COMPLEXITY WITH EMPLOYEES FROM ENTREPRENEURIAL FINANCIAL INFORMATION SERVICE ORGANIZATIONS AND EDUCATIONAL INSTITUTIONS: AN EXTENSION & REPLICATION LOOKING AT PAY, BENEFITS, AND LEADERSHIP

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ABSTRACT

The purpose of the present study was to partially replicate and extend prior work by Carraher and Buckley (1996). They examined the relationship between mean group levels of cognitive complexity and differences in the number of observed dimensions of pay satisfaction as measured by the PSQ. Utilizing a sample of 1,901 teachers we found that mean group differences in cognitive complexity could explain about 78% of the observed variation in the dimensionality of the PSQ but that cognitive complexity was relatively unrelated to the number of dimensions observed for a measure of employee attitudes towards benefits. Additionally, with a sample of 1,647 workers from entrepreneurial financial information services organizations we found that mean group differences in cognitive complexity could account for over 69% of the variance in the number of dimensions observed for the Least Preferred Coworker Scale. This has reinforced the idea that cognitive complexity is an important and mostly overlooked variable that may have an important effect upon outcomes in organizational research both with entrepreneurial and non-entrepreneurial samples.

INTRODUCTION

Cognitive processing is one of the central topics of interest for selection, training, compensation and employee-job matching purposes both domestically and internationally (Culpepper & Watts, 1999) and yet its influence on instrument construction has largely been ignored in the literature. Work on cognitive complexity, on the other hand, goes back more than 45 years to Kelly's theory of personality (1955) but so too has it's potential influence on instrumentation issues been largely ignored (Carraher & Buckley, 1996). In general, cognitive complexity is a construct intended to indicate how an individual conceptualizes of his or her environment. It is based on Kelly's (1955) theory of personality which is founded on the premise that each individual has available a certain number of personal constructs or dimensions for "cognizing" and perceiving of events in their social world. It emphasizes the nature of constructs and the differences among individuals in the types and number of constructs that they employ when evaluating their external environment. We are interested with the conceptualization of cognitive complexity as concerned exclusively with the differentiation of the number of dimensions of judgment used by an individual rather than with other aspects of differentiation (Bieri et al., 1966) and how mean group differences in cognitive complexity could influence the observed dimensionalities of psychological instruments.

In 1979, Heneman and Schwab theorized that pay could meaningfully be broken down into 4 distinct categories: (1) the methods organizations use to determine actual pay levels (pay systems), (2) the hierarchy of pay levels among differing jobs within organizations (pay structures), (3) actual levels of pay received by employees (pay levels) and (4) the types of pay received by employees (pay forms). In 1985, they further hypothesized that when concerned with pay satisfaction, the four posited facets of pay should be measured with five independent dimensions - satisfaction with pay level, benefits, raises, structure, and administration. They developed an instrument to measure these five dimensions and then administered it to three heterogeneous groups of 355 white-collar employees and 1,980 nurses. The results from both confirmatory factor analyses and exploratory principal components analyses led them to refine the instrument and to conclude that pay satisfaction should be measured in 4 dimensions - combining pay structure and administration into a single dimension. The final result was an 18-item instrument hypothesized to measure pay satisfaction in 4 dimensions that they called the Pay Satisfaction Questionnaire (PSQ). Prompted by their results, they called for additional research on pay satisfaction and on their new instrument (Heneman & Schwab, 1985).

Since this call for more research on the PSQ, much additional research has been conducted. Noticeable in the research on the dimensionality of the PSQ has been the inconsistency in the number of dimensions found for the PSQ. There has been strong support for both three and four dimensional solutions when using exploratory factor analysis - and four or five dimensions when using confirmatory factor analysis - with some support for as few as one dimension. To date, most of the studies designed to explain these discrepancies have explored job-related contextual factors such as job classification and unionization. However, the results of these studies have not been conclusive. An alternative reason offered in order to explain these differences is that they might have been due to mean group differences in an individual difference variable such as cognitive differentiation, intelligence, or cognitive complexity (Lance & Scarpello, 1989). With three samples of 1,969 teachers, Carraher and Buckley (1996) used principal components analysis and confirmatory factor analysis to explore the dimensional structure of the PSQ and the influence that mean group differences in cognitive complexity could have on the observed dimensionality of the PSQ. They found that mean group differences in cognitive complexity could account for 76 to 80% of the variations in the observed dimensionality of the PSQ and argued that mean group differences in cognitive complexity may also influence the observed dimensionalities of other instruments such as measures of job and benefit satisfaction. It is the purpose of the present study to replicate and extend the work of Carraher and Buckley (1996) by testing whether mean group differences in cognitive complexity could influence the observed dimensionality of other types of self-report instruments previously linked to cognitive complexity - the Pay Satisfaction Questionnaire of Heneman & Schwab (1985), the Least Preferred Coworker Scale (LPC) of Fiedler, Chemers, and Mahar (1976) and the Attitudes Towards Benefits Scale (ATBS) of Hart (1990).

The link between mean group levels of cognitive complexity and the LPC scale extends back over 25 years. The possible link between the ATBS and cognitive complexity was suggested by

Carraher and Buckley (1996). They claimed that mean group differences in cognitive complexity are more likely to influence the observed dimensionality of measures which break pay satisfaction constructs into a larger number of dimensions than is done by the PSQ as is done with the ATBS. Thus, it is expected that we will find that the observed dimensionalities of the PSQ, LPC scale, and the ATBS will all be strongly influenced by mean group differences in cognitive complexity for both entrepreneurial and non-entrepreneurial samples.

METHOD

The data (n=1,901) for the ATBS and PSQ (sample 1) were collected from teachers in the same SouthWestern state as was sampled by Carraher and Buckley (1996). While subject participation was voluntary, it was encouraged by the superintendent of each district and the state teachers union. The data (n=1,647) for the LPC scale were collected from individuals employed by entrepreneurial financial information services organizations (sample 2). Subject participation in the project was voluntary, but was strongly encouraged by upper-level management. Information in both instances was self-reported by the subjects on the questionnaires but in the first case questionnaires were completed over a 2-week period of time and then mailed to the researchers while in the second case respondents came to a central location and completed the questionnaires in the presence of the researchers. In the first sample (teachers) the response rate was 65% while in the second sample (entrepreneurial) the response rate was 95%.

ANALYSIS AND RESULTS

In line with Carraher and Buckley (1996) high and low complexity groups were formed and subjected to principal components analyses (PCA). For each sample twenty sub-groups were formed and twenty analyses were performed on each of the instruments. Sub-groups began as a median split (highest and lowest 50%) and new groups were formed at each 5th percentile to the extreme 5th percentiles (highest and lowest 5%). The parallel analysis (PA) criterion of Horn (1965) was the retention rule utilized to determine the number of components to retain. It is a sample-based adaptation of the eigenvalue greater than one criterion and has been found to be the "most frequently accurate method" in usage (Zwick & Velicer, 1986, pg. 440). The number of components for each sub-group for the three instruments are shown in Table 1.

Table 1: Number of Dimensions for Samples According to Levels of Cognitive Complexity							
# of Dimensions				# of Dimensions			
	PSQ	ATBS	LPC		PSQ	ATBS	LPC
Top				Bottom			
05%	5	2	3	05%	1	2	1
10%	4	2	4	10%	1	2	1
15%	4	2	3	15%	1	2	1
20%	3	2	3	20%	2	2	1
25%	3	2	3	25%	2	3	2
30%	3	2	3	30%	2	3	2
35%	3	2	2	35%	2	2	2
40%	3	2	2	40%	2	3	2
45%	3	2	2	45%	3	3	2
50%	3	2	2	50%	3	3	2
Variance in Perceived Dimensionality Accounted for by Cognitive Complexity (r 2) = .788 .101 .692							

As should be clear from Table 1, 5 levels of dimensionality were observed for the PSQ - from 5 dimensions for the highest cognitive complexity group to 1 for the lowest. Two levels of dimensionality were observed for the ATBS and 4 levels of dimensionality were observed for the LPC. The results indicate that mean group differences in cognitive complexity could account for 78.8% of the observed variation in the dimensionality of the PSQ, 69.2% of the differences in the observed dimensionality of the LPC and 10.1% of the differences in the dimensionality of the ATBS (.101 is not statistically significant at the .10 level).

DISCUSSION

Bieri et al. (1966) argued that their conceptualization of cognitive complexity was intended to reflect the relative differentiation of an individual's system of dimensions for construing behavior. It relates directly to whether an individual tends to perceive social behaviors, attitudes, and beliefs in a multidimensional fashion. It appears from the results of this study that the observed dimensionality of the LPC and the PSQ scales may also be related to individuals' tendencies or predispositions to conceptualize of their social environments in multidimensional fashions but that this does not seem to be true for the ATBS. Thus, researchers should recognize that mean group differences in cognitive complexity may be able to account for much of the variation in the number of dimensions with which individuals perceive of some instruments but not with other instruments. The results of this work further suggest that additional basic research should be performed in order to facilitate the development of new theories about the interplay between individuals' conceptualization processes and instrumentation. It is possible that the reason that mean group differences in cognitive complexity did not influence the number of dimensions observed for the ATBS is because the dimensions of the ATBS tend to be relatively stable across groups and also relatively orthogonal.

Another significant implication of the current study is that we may need to be aware of the mean group levels of cognitive complexity of samples when working with self-report instruments. In research we often develop tunnel vision in our areas of study and believe that we know how a population should perceive of variables of interest. For instance, suppose that you are given a questionnaire that asks you to rate the usefulness of anthraquinone-glycidyl methacrylates, phenonlsulfonphthalein, acrylated azo, poly (2-vinylanthoquinones), chromorange GR, coumaric acid, fluorescein, erythrosine B, and vinyl malachite green (copolymerized with N-vinylcarbazol) as polydyes? While individuals in industrialized societies deal with polydyes nearly every day of their lives, it is unlikely that most populations of interest would see this questionnaire as containing three clear dimensions (see Carraher, 1990). Shouldn't it be clear that the first three items are all good for use as polydyes, the second three make just moderate polydyes, and the last three are poor polydyes? Additionally, this questionnaire should have a perfect test-retest reliability coefficient ($r = 1.00$) as the properties of these polymers will not change over time; however, the terminology used in this questionnaire is unfamiliar to most non-polymer chemists and therefore the reliabilities, validities, and number of observed dimensions will likely change from sample to sample. This can happen in organizational research just as well as in the more "hard" sciences. We need to seek to understand how various populations of interest naturally perceive of subjects being examined rather than try to impose how we believe they should conceptualize of those subject areas.

The purpose of the present study was to explore the possibility that cognitive complexity might account for observed differences in the number of dimensions with which individuals conceptualize of pay satisfaction, their attitudes towards benefits, and their least preferred coworker. It was found that mean group differences in cognitive complexity could account for the observed differences in the number of dimensions with which individuals perceive of the LPC scale and the PSQ; but, surprisingly, they could not account for the variations in the dimensionality of the ATBS. Finally, it was suggested that other individual differences variables such as cognitive differentiation or intelligence might also influence the observed dimensionality of self-report instruments and future research on cognitive complexity and individual differences is recommended.

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THE ROLE OF CLIENTS IN THE EXECUTIVE SEARCH PROCESS

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ABSTRACT

Agency theory holds that there is a conflict of interest between principals and agents, and it focuses on how principals cope with the opportunism of agents. This research provides a non-traditional view of agency theory by analyzing the way agents (executive search firms) lose control to principals (clients) in the executive search process. The paper presents a qualitative analysis of the executive search process through focusing on the interaction between executive search firms and their clients. It accomplishes two things: (1) on the basis of interviews with executive search consultants, the study stresses clients' importance in the search process and identifies three critical client roles: decision-maker, executor of certain search steps and input provider to search consultants. By discussing the important roles clients play in the search process, the paper covers a gap in the literature on executive search that so far focused on the various roles that executive search consultants fulfill. (2) Further, the research explores the errors that clients make in fulfilling their roles in the search process. It argues that it is critical for search consultants to advise, influence and even educate clients through the search steps, because search consultants have to give up control to clients, yet consultants are the ones who take responsibility for the success of the search. Finally, the paper presents the tools that search consultants most commonly use to guide clients.

INTRODUCTION AND RESEARCH QUESTIONS

Executive search is the most dynamically growing branch of the human capital industries (Hunt-Scanlon Advisors, 2001). Executive search firms (ESFs) help organizations recruit and select top managerial talent. Their role is addressed in the extensive practitioner-oriented literature (e.g. Byrne, 1986; Garrison-Jenn, 2000; Jones, 1988; Schoyen and Rasmussen, 1999; Sibbald, 1990, 1992 and 1995) and in a small number of academic articles (Ammons et al, 1988; Britton et al, 1992; Feldman et al, 1994; Khurana, 2001). Although this stream of literature touches upon the interaction of clients and search consultants, its primary focus is the role of search consultants in the executive search process, and the ways in which search consultants undertake executive search.

Research on executive search attributes various roles to search consultants. Clark (1995) argues that search consultants manage the "back-stage" processes and act as impresarios to the key event, the meeting between the client and the candidate: their role is to find suitable candidates for a position, convince clients of their quality, and mediate between the candidate and the client. Khurana (2001) claims that search consultants fulfill three roles: coordinator (make the search process more efficient through their experience and expertise), mediator (act as a buffer between clients and the candidate and help harmonize their interests) and legitimator (legitimate the search through providing an objective, expert, third-party perspective). Although all of the above roles imply that search consultants take care of the technical details of the search as well as act as an expert advisor to the client, who is the executor of the search, none of the above papers discusses the critical role that clients play in the search process. This research gap is all the more apparent, since executive search belongs to services where the client and the consultant produce the service in interaction, and the quality of the service depends on the client's participation in the service and on how well the client performs in interaction with the service provider (O'Farrell and Hitchens, 1990).

Executive search provides an interesting setting for the agency problem, where the client is the principal and the search consultant is the agent. Classical agency theory (Jensen and Meckling, 1976; Donaldson, 1995) argues that there is a conflict of interest between principals and agents, and agents may maximize their interest at the expense of the principal. One way of curbing the agent's opportunism is through monitoring or incentives. Although the agency framework has been applied to the professional - client relationship, only professionals were considered to act opportunistically (Sharma, 1997), or when both professionals (executive search consultants) and clients were shown to be opportunistic (Britton and Ball, 1999), clients' opportunism was only seen in the form of withdrawal from the contract. This paper takes a non-traditional look at the agency problem and presents the ways in which executive search firms as agents have to give up control to clients (principals) in the executive search process, while clients (principals), traditionally portrayed as the party losing control to agents, are presented as exerting a lot of influence on the success of the search.

The study is structured in two parts: (1) on the basis of interviews conducted with search consultants, the paper identifies three client roles: ultimate decision maker, executor of some steps of the search process and input provider. (2) The study then discusses the errors that clients make and are hazardous to the search process, and describes what search consultants do to hinder these errors from jeopardizing the search process. In doing so, the paper identifies an additional role of search consultants that is less emphatic in past research: educator and advisor to the client.

DATA

The data come from face-to-face and phone interviews with search consultants. I conducted semi-structured interviews with representatives of three executive search firms (two large global executive search firms and a niche executive search firm) and with an industry analyst. A typical interview lasted from 1 to 2 hours. I taped and transcribed most of the interviews, or took extensive notes. I interviewed all types of employees working for an executive search firm: administrative assistants, research assistants, senior associates and search consultants. Most of the search consultants I interviewed also had other responsibilities within their organizations, such as president of an industry specialty, head of an office, and manager of a global client account.

DATA ANALYSIS

The interviews with search consultants lead me to infer that clients play an important part and fulfill three roles in the search process: ultimate decision maker, executor of some search process steps and input provider.

ULTIMATE DECISION MAKER. The client controls the most important step of the executive search process, (s)he makes the final decision from three to five finalist candidates on the basis of the shortlist of candidates that the consultant presents. Search consultants also acknowledge that the client is in charge of the process: "Our job is to come up with the candidates". "You have a limited amount of control, but at the end of the day your client is the ultimate arbitrator of success."

In case the consultant and the client's judgment concerning the strongest candidate do not match, the client's choice is the decisive one. A search consultant gave the following account of a search: "we feel he [the client] hired the best person…but maybe not the best executive. We thought that the number two executive, the person he [the client] thought was number two was the better of the final two."

EXECUTOR OF SEARCH PROCESS STEPS. The face-to-face interview between the candidate and the client is controlled exclusively by the client, the search consultant is unable to intervene in this step. Since consultants do not participate in the face-to-face interview, it is the client's responsibility to transmit a good image of the organization and to motivate the candidate to take up the job. One search consultant warns their clients of his own loss of control during the interview, "I tell my clients that you want every single candidate to walk away absolutely wanting your job. I always tell them: you have failed if the candidate walks away saying I am not interested in the job. I have not failed you. I have been successful because I brought candidates in."

The client also actively participates in other parts of the process, e.g. supplies the job description for the position. One industry analyst argues that in the future clients should do some of their own reference checking as well.

INPUT PROVIDER. Throughout the process, input from the client is very important. Input includes feedback on client preferences, information on the client's organization and expertise, especially the client's knowledge of the marketplace. Client feedback is vital at every stage of the search. In the initial stage, feedback is needed to specify client expectations concerning the candidate. Client feedback provides the biggest input into the job description, on the basis of which the search is launched. The client also supplies feedback on the list of companies that is targeted by the ESF. Client input is essential here since the ESF targeting certain organizations may result in litigation issues or hurt the client's strategic partnerships. After the first round of face-to-face interviews client feedback gives the ESF the most specific idea of what candidate traits are important for the client. Post-interview feedback either happens formally, via an evaluation form and grading the candidates from 1 to 5 on the basis of experience, skills and behavior, or informally. The client's input after the placement is made signals the search consultant the potential problems with the candidate and may prevent termination or the candidate leaving the organization.

Ideally, the client supplies information on anything that changes in the organization during the search process, which might impact the outcome of the process, e.g. devaluation of its stocks, negative press coverage, etc.

The client's industry expertise is most important in setting up the target list, when the client's input on the companies and persons to be targeted is needed. Khurana (2001) asserts that ESFs almost never start a search from scratch, there is always an initial list of companies and candidates that the client wants to target, and that the industry expertise of the client is very important. My field research supports Khurana's finding; in the words of a search consultant, "in setting up the target list…some priorities come from the client. They say we would like an individual from company A, B and C."

The above examples illustrate the huge amount of control that the ESF has to give up during the search process, and the vital input that clients supply the search consultant. The loss of control, the many aspects of the search process that are at the client's discretion and fall outside the ESF's domain, present a challenge for ESFs all the more because ESFs guarantee the quality of their placement for a year, and have to redo the search if the placement is unsuccessful. In the following the paper illustrates the mistakes that clients make during the search process, and the tools that search consultants do to regain control.

PROBLEMS WITH CLIENTS AS ULTIMATE DECISION-MAKERS. Previous research showed that executives have little expertise in selection and they lack the knowledge and skills to make good selection decisions (Sessa et al, 1998; Sessa and Taylor, 2000). They do not employ the personnel selection tools or the decision processes that they are using in other decisions, but rely on their intuition. Further, they identify too broad client requirements and do not consider fit issues with the organization (Sessa et al, 1998). Moreover, my field research showed that clients took too long to make a hiring decision, and candidates often got demotivated during that time. Often, clients even make insensible hiring decisions, as the following quote by a search consultant doing a search for a military organization illustrates: "…I called all the candidates the next day and I told them that I wanted them to come in uniform. And they did. And the client said: "They were great". They were not as good as the first ones [the candidates on the previous day]. So something about the persona [of the client influencing the decision]".

Search consultants are not allowed to make the decision for the client, but they can influence the client's choice throughout the search and selection process. They do it as early as before the face-to-face interviews between client and candidate, as they present a shortlist of candidates and draw attention to their strengths and weaknesses. In the words of a search consultant, "we'll go back to the client with a shortlist of a few candidates that we choose to present to them and we'll again probably do that orally over the phone, why we think this is a good candidate, why we think this is a match." After the face-to-face interview consultants again try to guide the client's choice: "I'll direct the client. They will give me feedback on every interview … I will push them accordingly and I will redirect their vision." Although search consultants in no case make the decision for the client, influencing the client may mean changing the client's judgment and making them consider a candidate who they did not find all that convincing. Consultants' influence in the decision process depends on the trust between candidate and client, which is a function of the length of the collaboration between the client firms and the ESF.

PROBLEMS WITH CLIENTS AS EXECUTORS OF THE SEARCH. Clients who have not interviewed before may be uncomfortable and unsuccessful with interviewing. In a search consultant's words, "… that happened to me with a board, a whole board of directors. Every candidate that was presented came away and said that was the worst experience of their life." Inexperience may also present itself in the form of the client treating the candidate as a job applicant and not as someone who (s)he should motivate to take the job: "…what you find is that more junior line managers, more junior HR professionals really do not understand that the majority of our candidates we present are not looking for jobs. We sold them a new opportunity, and they often need to sell and represent an opportunity." Both types of inexperience may deter candidates from accepting a job offer. In order to overcome these problems, consultants may act as coaches for clients and prepare them before the face-to-face interviews. The depth of preparation depends on the work style of the search consultant and the client's experience with interviewing. Some consultants give clients a possible list of questions to ask and assign questions to each member in case of a search committee, while others only present background information on the candidates and direct the client's attention to areas that they should probe into during the interview. Some consultants take part in the interviews and do some of the interviewing, some consultants only observe during the interviews, while others are not present at all.

PROBLEMS WITH CLIENTS AS PROVIDERS OF INPUT. The most common problem mentioned by search consultants is that clients have unrealistic expectations. They are looking for a candidate who may not be recruitable for the working conditions (especially compensation) that the client is willing to offer. ESFs might cope with that problem by not taking up unrealistic assignments. In judging the viability of an assignment, the search consultant's experience helps a lot. A further problem is that clients are unable to specify their expectations, they are not certain what type of candidate they want, and they change their mind as the search process progresses about desirable candidate attributes, or about the compensation that they are willing to offer. In order to make client expectations specific, there is a review - revise - agree phase after each step of the search: the client and consultant review the progress of the search, it is ensured that the client is in agreement with what has been done, some search parameters are modified at the client's request and the consultant gets approval from the client for the next step. Although the consultant advises the client and often influences the client's opinion, the client's buy-in is crucial.

CONCLUSION

The fact that clients have a crucial impact on the quality of services provided to them has been neglected in previous research. The paper illustrated an agency scenario where the agent (the ESF) gives up control to the principal (the client), who makes critical decisions and influences the outcome of the executive search process.

What can ESFs do, given the significant impact of clients? The paper suggests that the ESF's loss of control can only be prevented if the ESF manages to guide the client, which proves to be easiest if an ongoing, long-term relationship is established between the client and the consultant. Search consultants talk about this partnership in the following way: "I want my client to see me as a peer, as a partner in dealing with a business problem." And: "This is a business that needs to have a lot of bridging and partnering."

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THE MAINTENANCE OF PERFORMANCE AND QUALITY STANDARDS IN EXECUTIVE SEARCH FIRMS

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ABSTRACT

The paper presents a case study of an executive search firm. It explores the reasons that make the maintenance of performance and quality standards especially challenging in this type of organization: (1) the lack of a distinct, codified knowledge domain, (2) the relationship-based and labor-intensive nature of executive search, which provides a lot of room for individual discretion, and (3) the unique way of work organization, executive search consultants acting as quasi-free agents within the organization. Further, the study examines how an executive search firm creates and enforces performance standards under these circumstances. It finds that instead of traditional tools for standardization such as inventories, quality standards are maintained via less traditional ways such as reputation effects inside and outside the search firm. Moreover, the paper shows that there are no strictly defined quality standards within the organization: different work styles and different professional standards coexist.

INTRODUCTION

In December 2001, Russell S. Reynolds, Jr., founder of one of the largest and most prestigious executive search firms (ESFs), declared that the executive search industry was "in crisis" and needed to establish its own standards (Bates, 2001). Reynolds' concern highlights one of the biggest challenges that the executive search industry is facing today: search firms do not maintain consistent quality and performance standards (Guy, 2001). The task for the search industry to devise and enforce quality standards is very urgent.

Quality standards are easy to create for organizations where production processes are transparent and are easy to standardize, but the creation of standards presents a challenge in service industries (Snell, 1992). Due to the intangible nature of services, quality is difficult to observe and measure (Clark, 1995). Moreover, services are unique to the customers' requirements, and thus are difficult to standardize (Maister, 1993; Clark, 1995; Lowendahl, 2000). In executive search quality standards are further difficult to establish, because the knowledge base of executive search is not codified and distinct. The labor-intensive nature of executive search provides a lot of room for individual discretion and results in the coexistence of a multitude of standards. Finally, search consultants are semi-free agents who generate their own business within the organization. Such individual autonomy makes the enforcement of standards difficult.

The paper explores two issues. (1) On the basis of interviews, organizational documents and industry publications, it introduces the factors that make the maintenance of organizational performance standards difficult. (2) It explores the tools that executive search firms use to maintain quality and performance standards, and shows that organizations can work effectively without strictly set organizational performance standards if certain mechanisms are in place.

DATA SOURCES

I obtained information from four sources: interviews and an in-company training session at two offices of a large, global executive search firm that specializes in senior-level search, management assessment and middle-level recruitment; organizational documents and industry publications. I conducted semi-structured interviews, both face-to-face and on the phone. A typical interview lasted from 1 to 2 hours. I interviewed all types of employees working for an executive search firm: administrative assistants, research assistants, senior associates and search consultants. The typical question to start the interview was "describe a successful search that you have recently undertaken" and then specific questions were asked about each step of the search process. The organizational documents I studied included job descriptions, contracts, position specifications, and training handouts. I obtained a picture of the executive search industry from various online and printed industry publications, which included the websites of the Top 25 US executive search firms, publications of industry consultants such as Hunt-Scanlon Advisors and Kennedy Info, and printed publications.

DATA ANALYSIS

The Factors That Make the Maintenance of Organizational Performance Standards Challenging

TACIT KNOWLEDGE. Most of the steps in the search process, especially steps concerning candidate assessment are innate, tacit, that is, the consultants cannot articulate how they are undertaking the tasks (Nelson and Winter, 1982). When I asked a consultant about the criteria for candidate assessment, for example, he could not come up with a distinct answer and said, "In this industry you definitely need to have a gut feeling, if you do not have one, if you are not good at looking at someone…it is all I can say, I cannot explain it…"

The tacit element in the search process presents itself as early as in the selling phase, since it is at the consultant's discretion to decide which projects are accomplishable and which ones should not be undertaken because client expectations cannot be satisfied. In the organization assessment phase tacit assessment skills help the consultant determine whether what the senior executives say about the organization complies with the consultant's perception. The need to use tacit skills also comes up in candidate assessment, e.g. in the phone conversations with target candidates when one needs to assess a candidate unseen and in minutes, and during the face-to-face interviews.

My interviews suggest that there is one way for tacit assessment skills to become more reliable, through search experience. The following comment represents a consensus among search consultants: "… once you have interviewed somebody, then you'll get a statistically more accurate response. If you have been interviewing for many years, you can make pretty clear decisions and ask very careful questions…."

Owing to the innateness of the skills that are required for search, behavior modeling, coaching and mentoring relationships are very important. Many search consultants learned the trade on-the-job, via learning-by-doing and from watching others. A search consultant commented, "It is really on-the-job experience. You pick up the phone one day and that is it. It is not something that can be taught. You either naturally gravitate towards it or you do not."

A LACK OF A WELL-DEFINED KNOWLEDGE BASE. Unlike accounting or law, the executive search industry is a fairly new sector of the economy that has no strictly defined and universally enforced professional standards, that is, guidelines as to how a search should be conducted. Although industry "code of ethics" and "professional guidelines" exist, such as the ones that were put forth by professional associations, the Association of Executive Search Consultants (AESC), the International Association of Corporate and Professional Recruitment (IACPR) and the National Association of Executive Recruiters (NAER), these guidelines contain very little specificity regarding the search process. Moreover, there is no regulatory body that would screen entry into the industry and prevent customers from those companies that violate the rules (Britton et al, 1992). The industry has no practitioner qualification standards (Ammons, 1994): no educational credentials, no standard exam is necessary to become an executive recruiter. Recruiters come to this industry with all sorts of educational backgrounds and adopt very different approaches to search (Britton et al, 1992).

SEARCH CONSULTANTS: AUTONOMOUS PROFESSIONALS. What makes standards even harder to enforce is the workforce at executive search firms. Professionals' desire for autonomy has been extensively portrayed in previous research (e.g. Raelin, 1986; Broadbent et al, 1997) and applies to executive search professionals as well. While half of the senior consultants are promoted through the ranks, the other half come from outside. They typically had a senior-level position in industry, and managed others. They bring their own work style with themselves, they have very different backgrounds, and thus very different standards of doing work. Because they have already developed their own skill set, they may prove hard to train. One senior consultant commented, "When I came into the recruiting industry I was already the senior manager at a company … a lot of my skill level came from my background and career. Secondarily, [the ESF] provided additional tools of training. But … most of the senior executives come to our company with a good portion of their skills already existing. And you further develop them."

Second, search consultants are entrepreneurs: they have to generate their own business and they rely on their reputation inside and outside the ESF to do so. The relative autonomy of consultants and their involvement in other organizations besides the employing organization make it difficult to impose organizational standards on them.

Organizational Tools Within the ESF to Maintain Performance Standards

INVENTORIES. Although there are inventories (here: standardized checklists developed by the ESF that contain a set of questions or factors that consultants should ask or assess during the organizational assessment, on-the-phone or face-to-face interviews), consultants do not consider these inventories of much help. They refute their use for three reasons: tools such as the grading sheet do not facilitate a standardized way of candidate specifications, because the grades are still given by the individual consultant and are subjective. The reliance on inventories does not result in a "spontaneous" dialogue with the client. Further, consultants do not feel that standardized tools are useful, because a lot of the information they are getting has to be specifically based on the industry.

REPUTATION EFFECTS INSIDE AND OUTSIDE THE SEARCH FIRM. Consultants keep up high performance standards to ensure their good reputation, which is critical for obtaining assignments. Clients choose assignments both on the basis of the executive search firm that undertakes the search and on the basis of the work style and expertise of the individual search consultant. The search consultant's reputation is crucial within the search firm as well, because assignments are obtained by partners or senior consultants, who then set up a team to undertake the assignment and choose team members on the basis of their previous good performance, reputation within the firm, and internal networks.

MANY DIFFERENT WAYS TO SUCCESS. Appendix 1 shows the steps that constitute the search process at the case study ESF. Although the major milestones of the search process might be uniform, the way these steps are executed differs from consultant to consultant. Interestingly, the search consultants attribute these differences to differences in work style, and not in standards that would alter the outcome of the process. Typical comments from consultants include: "everybody has his/her personal style in how he/she assesses candidates"; "interviewing…everybody has their own style"; "the work styles of different consultants differ very much." The interviews, however, revealed that there are major differences other than style issues in how the search process is undertaken. The following part of the paper demonstrates that several ways, several standards for undertaking the search live side by side, and can be equally successful.

Despite the importance of assessing client needs, organization assessment is done in varying depth by search consultants. The length of time spent assessing the organization ranges from a phone conversation to a one and a half hour long face-to-face interview, or several interviews. The only person who gets interviewed during the organizational assessment phase for certain is the senior person who gave the search assignment. Interviewing other company representatives depends on the consultant and may include the person the candidate will be reporting to, a junior person who will work for the candidate, a peer (similar to a 360-degree appraisal), and often a human resources person, a senior management team, and a search committee. Patterns are determined by the work style of the search consultant and by the level and confidentiality of the search.

There is also a difference in the organizational attributes that consultants assess. Some factors are considered by most search consultants, such as the strategy and the culture of the organization. A lot of factors, however, seem to be unique to individual consultants. They include the risk scenario, the business problems the organization is facing, the competency and educational background of people, the attributes that make individuals successful in the organization, the way the senior team works together, etc. I often found that the factors listed by consultants are reflective of the consultant's educational background and prior work experience. Consultants with a management consulting background, for example, assess organizations in terms of the business problem and the business concept, an approach that comes from management consulting, while they are not concerned about candidate personalities. For others who received a degree in psychology or sociology, the understanding of the organization's culture and the personalities of the senior team are the most important.

The content of the position description is not consistent across the organization. The biggest difference presents itself not in the wording, but in the integration of the information. The function of the sourcing call (the initial phone call to the candidate) is also inconsistent. Some consultants ask for very basic information, others get a sense of the candidate's career trajectory and personality, while others ask detailed behavior-related questions.

The resume is used differently by search consultants. One gives a very detailed reading to it, inferring personality traits from the candidate's experience and the patterns of decisions the candidate made. For most consultants, the resume is the most powerful assessment tool, which the interviews and references only complement, while others do not pay much attention to it.

Although the ESF proposes a format to the reference report that ideally contains education, compensation, a resume-like chronology of job history and a comment section, reference reports vary by consultants. Some present a very short written report and convey most of the information orally, while others prepare a comprehensive written document with an overview of the candidates and a detailed summary of each candidate's background, career path, education and compensation profile.

The number of referees conducted and the questions asked from the referees also differ. The results of referencing are determined by the skill level of the consultant, more experience resulting in more precise references. The quality of referencing has a crucial impact on the success of the search, because superficial referencing may lead to re-doing the search.

The case study ESF has not got a strictly defined policy for conducting follow-ups. It specifies that consultants need to follow up at the three, six and nine-month points. Consultants do not always abide by this time frame, they follow up more frequently, depending on the type of candidate placed. If the placement was for a CEO position, for example, then the follow-up may be more thorough in the hope of getting future assignments.

LIABILITIES. While the coexistence of several work styles within an organization does not seem to result in considerable inefficiency in undertaking search assignments, I have identified the following liabilities: since standards and acquirable skills are not strictly specified, consultants within the organization may have a very uneven skill set, the ones with longer experience being much better at undertaking tasks, e.g. writing job specifications or doing candidate assessment on the phone. Further, the lack of strictly specified policies inspires some consultants to create "policies" on their own, and individual interests may clash with the interest of the organization. Further, while the ESF undertakes most assignments in teams, the way work is divided up in the teams is determined by the idiosyncratic work style of the consultant in charge of the project and on the skill level of the team members. In newly set-up teams, consultants need to learn and get used to the individual work style and standards of their colleagues.

CONCLUSION

The paper presented the hurdles of creating and maintaining performance and quality standards in an executive search firm, and provided a new perspective on organizational performance and quality standards in the sense that it showed that a multitude of performance and quality standards may coexist within the same organization and different standards may be equally successful. Although it presented a case study of an executive search firm, the paper's findings may be generalizable to professions with a tacit, not distinct knowledge base such as management consulting or advertising.

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Appendix 1. The steps of the executive search process at the case study ESF

1. Organizational assessment. Search consultants interview organization members and study organizational documents to obtain a picture of the strategy, culture and other relevant characteristics of the organization.

2. Development of the position specification. A selling document is developed that gives candidates information on the company and the position and lists the key success factors for the position.

3. Preparation of the target list. The ESF prepares the computer-based list that contains the names of companies, as well as the titles and name of company representatives targeted during the search.

4. Phone interviews: contacting and assessing target candidates on the phone. The ESF contacts the persons on the target list, and identifies the candidates who are capable and motivated to fill the position.

5. Exchange of documents between the candidate and the ESF. Exchange of the resume (from the candidate) and of the position specification (from the ESF). The ESF evaluates the resumes.

6. Face-to-face interviews between the search consultant or senior associate and the candidate. The ESF conducts face-to-face interviews with the most promising candidates and chooses 5 to 10 candidates from among them.

7. Presentation of a shortlist of candidates to the client. A written (or oral) assessment report is sent to the client. The report contains the biography of a shortlist of candidates. The report is complemented by a face-to-face meeting between the ESF and the client, in which the ESF explains candidate characteristics to the client.

8. Face-to-face interviews between the candidate and the client. Two to three rounds of face-to-face interviews take place between the client and the shortlist of candidates.

9. The client chooses two to three finalist candidates

10. Reference checks on the finalist candidates. The ESF contacts 3 to 10 referees per candidate on the phone.

11. Choosing the finalist candidate

12. Negotiation of the offer. The ESF helps negotiate the employment offer (especially the compensation package) between client and candidate.

13. Follow-up of the placement. The ESF stays in regular contact with both the client and the candidate, and mediates between client and candidate if job-related problems occur.

FIRST STRATEGIC PLANNING AT A COLLEGE OF BUSINESS AT A REGIONAL UNIVERSITY: A CHRONOLOGICAL REVIEW

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ABSTRACT

The strategic management planning process, can be useful to a college of business pursuing a continuous improvement process. This paper discusses the recent strategic planning process within the College of Business (COB) at Morehead State University (MSU) in Morehead, Kentucky. We hope that sharing the experience step-by-step will be helpful to other academic and public institutions interested in strategic planning.

INTRODUCTION

The strategic management planning process, has been judged as "very useful" to a college of business pursuing a continuous improvement process (Brewer, Brewer, and Hawksley, 2000). This paper discusses the recent strategic planning process within the College of Business (COB) at Morehead State University (MSU) in Morehead, Kentucky. We hope that sharing the experience step-by-step will be helpful to other academic and other public institutions that desire the benefits of strategic planning.

Morehead State University, a comprehensive regional state university, is located in Morehead, Kentucky and has a growing enrollment of approximately 8,500 students. The COB is one of four colleges. The college consists of three academic departments: the Department of Accounting, Economics, and Finance, the Department of Information Systems, and the Department Management, Marketing, and Real Estate. In addition to the three academic departments, the college operates a Small Business Development Center (SBDC) and a Center for Economic Education. The cob employs 45 full-time faculty members, of which 22 are tenured, 16 are tenure track, and 7 are fixed term faculty. The college has nine bachelor degree programs serving over 1,500 students

The Master's of Business Administration (MBA) Program offered at MSU has increased from an enrollment of 86 students in 1996 to over 500 students in 2002. This increase is credited to the program becoming an online program, the first totally 100% online program in Kentucky. While the program is offered online, the MBA Program at MSU also supports compressed video (ITV) used to deliver undergraduate courses into the sparsely populated service region in Kentucky. The college considers itself a leader in instructional technology. In the fall of 2002, the COB will begin its third year of candidacy for AACSB accreditation.

STRATEGIC PLANNING NEEDS AND GOALS

Higher education is an industry that has recently experienced significant shifts. Once, academic institutions thrived in an environment of predictable funding and student enrollment with little competition among institutions (cf. Cohen and March, 1974; Keller, 1983). Recent economic, demographic, and political changes, have pushed universities into an arena that looks more like a competitive marketplace. (Milliken, 1990). The kind of change now demanded of academic institutions calls for altering aspects of their identity and image and doing so in dramatically less time. Strategic planning would seem to offer an answer to this problem.

However, there are doubts about the wisdom of "traditional" strategic planning, at least as it was understood in its heyday in the 1960s and 1970s. These doubts are grounded in real and negative organizational experiences. Strategic planning in many companies failed to contribute to strategic thinking (Price, 1994). It is said to have created planners, not thinkers or doers. Another doubt about the utility of traditional strategic planning was identified by Japanese companies. They don't use strategic planning, at least not in the way American firms do. They ignore fancy planning techniques, such as the experience curve and portfolio planning. They concentrate, instead, on quality, productivity and teamwork.

The debate about strategic planning is also muddled by the fact that few agree on a definition of strategy. Todd Zenger, strategy professor at Washington University's Olin School in St. Louis, for example, sees strategy as something very specific: "Strategy is the search for some kind of sustainable advantage over competitors…" Some see the issue more broadly. "Strategy is the set of actions and programs that an organization adopts in order to respond to external and internal environments and to establish a vision," asserts Idalene Kesner, at University of North Carolina. (Bongiorno, 1993).

Each of these proposed replacements for traditional strategic planning has two core ideas in common. The first is that "strategy" cannot be a separate activity, carried out by specialists or a separate planning department; it must be the integrated expression of everything that a company does. The second is that strategy is not a passive attempt to respond to the challenges facing the corporation. Properly understood, it is nothing less than creating an alternative future which would not otherwise exist (Price. 1994). It is that integration and activity that the COB at MSU was seeking and drove the earliest thinking to involve not only thinkers but doers.

The need for a strategic plan at the college level came from multiple directions:

1) Internal pressures and decisions. With the growth in the online MBA program decisions are needed that could benefit from a direction-setting plan. Similarly, faculty and students are seeking direction about their desire to internationalize the curriculum. Finally, the COB's distant sites scattered around the service region require support

3) External pressures and requirements. First, AACSB strongly encourages strategic planning as the foundation to managing schools of business. Second, the Council on Postsecondary Education (CPE) manages the public universities in Kentucky. The CPE leads often through the introduction of matching grants and other incentives. As these incentives become an increasing part of the budget formula, units and universities strive to create programs which qualify for CPE support. Matching grants from the CPE for programs has

created some competing efforts at the university level. For instance, a Center for Innovation and Technology was proposed by faculty within the COB, and the question arises as to whether such a center which might bring funding is within our mission. Third, requests for assistance from businesses, employers, and other organizations within the COB's service region are increasing.

It took some time before the COB identified a need for a strategic plan, and the COB was not well equipped to create one. Neither the dean (a finance professor) nor the assistant dean (an accounting professor) had training in strategic planning. In addition, the COB had never been through a strategic planning process. During the fall semester of 2001, the COB dean, assistant dean, department chair of management and a management faculty member with expertise in strategic planning met to plan the process. We knew that there was no "vanilla" strategic plan. We needed a process that would fit our needs.

We agreed upon these steps: 1) determine our core values; 2) identify the college's mission; 3) identify our broad goals; 4) establish measurable objectives; 5) identify large strategies to accomplish the objectives; and 6) decide upon tactics to implement. Next, we would 7) prioritize the tactics into an action plan that we would focus on for the upcoming academic year. We would annually update the action plan and evaluate the entire strategic plan every two years.

1) We defined a core value as: an underlying belief that will drive our behavior and form the basis of who we are. We used the college's Collaborative Learning Center and Group Systems Software to capture a list of core values from three separate COB stakeholder groups: students, faculty and the COB's Advisory Board. A list of 13 core values came from students, 23 from COB faculty, and 20 from the COB Advisory Board.

2) A strategic planning retreat was planned at a state park. A management faculty member expert in strategy was asked to facilitate. Twelve COB leaders were invited. The 12 included the: dean and assistant dean, three department chairs, MBA coordinator, Small Business Development Center coordinator, and five faculty that currently serve as committee chairs. We sent information two weeks before the retreat including items about the retreat, the core values, and the university's strategic plan. A heavy snow halted travel and so the retreat was held on campus.

The mission should flow from shared values. The group took the 46 core values created by the stakeholders and distilled these into a list of shared values.

The College of Business at Morehead State University values:
An environment of collegiality and mutual respect
Excellence in teaching, learning, and scholarship
An open and diverse learner-center environment
Continuous improvement of programs
Active citizenship by faculty, staff and students
Learning and service experiences relevant to regional, national and global economics
High achievement through collaboration and teamwork
An environment of integrity supported by fact-based decision making and ethical behavior
Regional economic involvement and improvement

We hoped to stay away from a "vanilla" mission statement that simply stated, "we are a state regional institution that focuses on teaching." The group quickly found consensus on a focus-that the COB helped "create lifelong opportunities and choices for individuals and organizations that we served." The group agreed on the concepts within the mission; however, there was extended conflict on whether some thoughts should be included in the mission statement or listed elsewhere. Some thought the mission statement should be very short. However, the majority of the group felt the three bulleted items should be given more prominence as part of the mission statement.

> *The College of Business strives to create lifelong opportunities and choices for individuals and organizations through teaching, learning, experience, and research for and about business relevant to our service region and the world.*
>
> *Our mission is fulfilled through…*
> *Academic Excellence with a focus on innovative teaching and active learning supported by quality research and service.*
> *Regional Leadership in economic development, applied business research, and collaboration with education, government, business, and non-profit organizations. Our regional leadership role is designed positively impact our academic excellence.*
> *Global Involvement and Presence enhanced by faculty, student, and organizational exchanges, a curriculum integrating a global perspective, and active participation in the global learning community. Likewise, our global efforts are designed to positively impact our academic excellence.*

3) We wanted to develop goals as broad statements that refined our mission from broad philosophical ideals to a specific plan of action. Goal 1: Create an environment within the COB of academic excellence. Goal 2: Provide leadership to our region. Goal 3: Expand our global involvement

4-6) We divided into three subgroups to develop the next three steps of identifying: measurable objectives; large strategies; and finally, tactics for implementation. We said that we should plan as if resources were generally unlimited which drove some aggressive suggestions, although there was some "ceiling effect" which controlled outlandish ideas (see below). This full set of levels was created because we wanted to go very deliberately this first time from the conceptual to the practical.

The committee remarked about how there was to be a renewed interest in becoming a "beacon" or resource to our stated service region, and an awakened interest in being involved globally.

Goal 1: Create an Environment Within the COB of Academic Excellence. *Objective 1-A: High Quality in Teaching* *Strategy 1-A-1: Create meaningful rewards for instructional high achievement* *Tactic 1-A-1-a: Seek endowment funding to support one professorship in each of the three academic departments within the college.*
Goal 2: Provide Leadership to Our Region *Objective 2-A: Foster collaborative relationships with educational institutions, government units, businesses and not-for-profits to support regional development needs* *Strategy 2-A-1: Utilize College of Business faculty and staff expertise to support regional development needs.* *Tactic 2-A-1: Develop and maintain two to three management-training relationships with area business per academic year.*
Goal 3: Expand Our Global Involvement *Objective 3-A: Establish a Global Learning Center* *Strategy 3-A-1: Infuse global issues into the graduate and undergraduate curriculum* *Tactic 3-A-1: Examine BBA core and pre-core courses to determine instructional hours of global content*

The three groups brought these items to a final meeting of the ad hoc committee. These recommendations were used to modify the strategic plan and arrangements were made to solicit feedback from three primary stakeholder groups, and feedback has been received from the students, national advisory board, and faculty. The faculty has now approved the mission statement and is reviewing the entire strategic plan.

7) Once all feedback is received formal COB leadership will make final modifications. This group will next prioritize the remaining tactics and create a "plan of action" for the 2002/2003 academic year. For each tactic, the plan of action will assign a responsible party (an individual, group, committee, etc.) and a method of assessment. The administration will be given the plan for their input and acknowledgement of their support.

CONCLUSIONS

Many positive things have already come from our experience. Our planning process is more formalized and effective. We were very pleased with the positive impact the process has had on morale of those participating. Many are excited about the possibilities for improving the college through our goals. The plan is perceived by many as ambitious and foreward-thinking. As Thayer (1988) noted, "a leader does not tell it 'as it is'; [she or] he tells it 'as it might be'.." A plausible, attractive, even idealistic future image can help organization members envision and prepare for the dynamic environment implied by strategic change. When strategic change is articulated in desired states, we get a picture of people thinking and talking in the future tense. This picture not only portrays identity and image, like that of the COB at MSU, as fluid, it also portrays organizations as more capable of change than is typically assumed.

We strongly recommend academic units invest the necessary resources to develop a careful and inclusive planning process. We think the potential for improving the COB is enormous. One faculty member with over 20 years in our college commented that, "The possibilities for improving the college through our new strategic planning process are endless. As a result, I am more excited today about the College of Business' future than at any other time I have been at this university."

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CONNECTIONS BETWEEN ORGANIZATIONAL CULTURE AND DIVERSITY PERCEPTIONS AND PRACTICES IN A DIVERSIFIED MANUFACTURING COMPANY IN THE EASTERN UNITED STATES

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ABSTRACT

Cultural norms, values, and beliefs impact diversity perceptions and practices in organizations. This study examines connections between one organization's culture and the perceptions management and employees of that organization have about diversity. The authors performed analyses of interviews and focus groups, conducted in the summer and fall of 2001, with broad and inclusive samples of organizational members. Based on their findings, the authors discuss opportunities and challenges related to diversity in the organization. Comparing the organization's diversity efforts with best industry practices, the authors present suggestions for management professionals as well as organizational researchers interested in the relationships between organizational culture and successful diversity initiatives.

INTRODUCTION

Changing demographics combined with increased globalization have placed great pressure on U.S. organizations to respond to the subject of diversity. Organizations are finding that they have to compete to recruit and retain diverse talent that is increasingly becoming scarce in a competitive labor pool (Thomas, 1996). The focus on organizational diversity has evolved from programs that narrowly focused on responding to EEOC guidelines emphasizing affirmative action to skills-based programs focusing on "inclusiveness." The latter approach takes a broader and more inclusive approach to defining diversity and includes other variables besides gender and race.

Diversity in organizations is influenced by company culture, which includes values, beliefs, and norms. These cultural manifestations are often unspoken and subtle, but they have a powerful influence upon minorities and women in the workplace (Cox, 2001). As an example, many organizations have formal workplace guidelines prohibiting sexual discrimination and harassment. Yet the informal workplace with its unspoken norms (that is, part of company culture), may sanction lewd language and behavior that "officially" does not exist. An organization may have an internal promotional policy that is designed to be "color free," but if many senior managers have strong negative stereotypes regarding African-Americans, the managers' collective belief system (again, part of culture) acts as a barrier against advancement for members of that group.

The present study evolved as a result of feedback received from leadership training programs that targeted middle level managers. Upper management felt the need to obtain an in-depth insight regarding their employees' diversity perceptions and sought the professional expertise of the authors who assisted the organization on this project.

METHODOLOGY

For the interviews, senior human resource managers were quite helpful in determining the number and composition of interviewees. Due care was given to representation based on characteristics of race/ethnicity, age, gender, employee type (managers vs. non-managers). One of the authors taped interviews of 52 members chosen from various levels within the organization. The transcripts of those tapes were content analyzed according to the following major content sections of the interview protocol: Company Culture, Core Values, Perceptions; Diversity Definitions, Benefits, Challenges; In-group/Out-group Profiles, Organizational Policies and Practices that Encourage or Discourage Diversity.

The transcripts displayed recurring responses in each interview section. For instance, in describing core values of the company, many interviewees mentioned the concern that the company showed for employees, their working conditions, pay, families, and other factors. These responses were combined into a general category labeled "concern for employee welfare." It should be noted that multiple occurrences of a particular response were counted as only one occurrence for that category. Thus, if an employee mentioned "concern for employee welfare" more than once, it is indicated only once in the count. In addition, if an employee mentioned both "concern for employee welfare" and another term similar to it such as "generous to employees," the latter response was categorized as a synonym of the former, with no new instances added to the count. In the instances where interviewees gave multiple responses to a question, these responses were counted in their respective content analysis categories.

Similar to the interview phase, extensive input was obtained from senior human resource managers in determining the number and composition of focus groups. Focus groups were conducted in all company locations. As with the interviews, focus groups were composed with representation based on race/ethnicity, age, gender, employee type. Consistent with well-established norms, these groups were kept as homogeneous as possible with no more 8 individuals in a focus group (Church & Waclawski, 1998). Only full-time employees were asked to participate on a voluntary basis for this project. All potential participants received a written letter informing them about the study's objectives. At the beginning of each session, one of the authors who conducted all focus group briefed participants once more about the study's objectives. Participants were assured that their discussions were completely confidential and no one individual's identity would be revealed. In all, a total of sixteen focus groups were completed. A total of 102 employees participated in this process. Extensive notes taken during each 90-minute session became the basis for formulating conclusions.

FINDINGS

Results of the content analysis of the 52 interview transcripts are reported from two major perspectives - opportunities and challenges - in an attempt to focus on where the company is doing well and where it could improve. Numbers in parentheses indicate the number of employees who responded in a certain category. The focus groups are used to add perspective to the interviews, in some instances supporting, and in others not supporting, their findings.

Company Culture, Core Values, Perceptions

In this section it is evident that the firm has engendered considerable goodwill among many of its employees. The large majority of the 52 interviewees (34) identify "concern for employee welfare" as a core value of the company. Top managers especially are perceived to be sincerely dedicated to making the company a valued place in which to work. The next five core value categories, in order of importance, are "creating value for shareholders" (26), "Christian, Judeo-Christian" (21), "family values" (15), "integrity, trust" (14), and "commitment to community" (11). These responses receive support from some of the focus groups, especially in the corporate office and the company's direct marketing business unit.

Yet, one obvious challenge to this positive picture is that employees by a ratio of 25 to 9 believe the core values are not perceived uniformly throughout the organization. This perception appears to be related to several factors, including (a) relative organizational distance from the highest-ranking members within the organization, (b) geographical distance from headquarters, and (c) acquisition date when a particular business unit became a part of the company, with more recent acquisitions being perceived as less acculturated than earlier ones.

Diversity Definitions, Benefits, Challenges

From a management standpoint, one promising finding revealed in the interviews is that over half (27) of the interviewees believe the core values (see previous section) of the organization help or would help in efforts to achieve diversity. Given the strength and clarity with which the majority of interviewees identified the company's core values, it seems likely that upper management could achieve much in preparing the way for diversity initiatives by making the core values more prominent, in word and deed.

Another opportunity appears in the sizable number of interviewees and focus group participants who defined diversity in terms associated with deeper levels of employee differences such as backgrounds (14), cultures (13), and value systems (11). While substantially more references were made to surface-level features such as race (20), nationality (16), and genders (16), the number of references to deep level characteristics suggests the employees have a heightened sensitivity to multiple factors contributing to organizational diversity. As the section below detailing "best practices" indicates, a broad definition of diversity tends to be associated with organizations pursuing successful diversity initiatives.

In-group/Out-group Profiles

A sizable number of interviewees, regardless of their position in the company, identified dominant or in-group members as white (35), male (35), and middle-aged (21). Changing the composition of upper management to better reflect the diverse communities, customers, and other stakeholders could take a good deal of effort. This could be problematic in that few of the interviewees at the higher levels appeared to have clear recommendations about how to achieve more diversity at the top, though many believed it should be done.

Non-dominant or out-group members were identified as female (21), more diverse (18), or black (16), just to mention a few of the response categories. Nearly a third (17) of the interviewees stated that the presence of groups hurt diversity, especially if the groups excluded others.

Organizational Policies and Practices that Encourage or Discourage Diversity

A quarter (13) of the interviewees mentioned job postings as a way to recruit a diverse pool of employees. Nine others mentioned newspaper ads, and the same number mentioned headhunters or agencies. Job postings for promotions were mentioned by nearly half (22) of the interviewees, suggesting that this method is fairly well known and used. It could be argued, however, that the job posting process is generic to promotions in the organization as a whole and, considering the negative perceptions examined below, job posting has no specific measurable effect upon diversity.

About a quarter (12) of the interviewees mentioned internal leadership training programs as a way to enhance the mobility of non-dominant members. When asked about obstacles to the mobility of non-dominant group members, 13 employees indicated no obstacles exist or at least there is no overt discrimination preventing the members from advancing. Nine stated there are no set limits and anyone willing to work can succeed in the company.

COMPANY DIVERSITY PRACTICES COMPARED TO INDUSTRY BEST PRACTICES

The following table indicates several industry "best practices" (Cox, 2001; Thomas, 1996) involving diversity and, based upon the interviews and focus groups, whether they are present in or absent from the organization under review:

Table: Company Diversity Practices Compared with Industry Best Practices

Best Diversity Practices	Inferences Based on Interviews	Inferences Based on Focus Groups
Mentoring programs specifically designed to assist women and minorities.	Absent	Absent
Institutionalizing a variety of work/life initiatives that offer flexible work/family arrangements including assistance with child care needs.	Present in some locations	Present in some locations
Revamping performance evaluation programs that give women and other minorities more systematic and developmental feedback that enables them to track their career development within the organization.	Absent	Absent
Enabling underrepresented employees to gain a big picture of the organization and enabling them to acquire "hard skills" by a series of deliberate job rotation and special assignments.	Absent	Absent
Educating and training employees to improve their management and other work skills—such education and training could be provided internally or by making employees attend universities.	Partially present-reimbursement given for college education	Partially present-reimbursement given for college education
Tying managerial promotion and pay to work performance that focuses on enhancing various measurable diversity outcomes.	Absent	Absent

These comparisons point out how far the organization may have to go before it can successfully achieve the clear benefits that organizational diversity can provide. Clearly, the organization substantially lacks many of the requisite industry practices that enhance diversity.

IMPLICATIONS FOR MANAGERS

Based on the interviews and the focus groups this organization's culture has both positive and negative qualities that impact diversity, especially in upper management positions. On the positive side, employees seem to have respect for the company and its top leaders, who have stated they wish to foster diversity. In addition, the core values of the company appear to be known by a large majority of interviewees, and these values of creating value for employees and shareholders, while focusing on family, integrity, and commitment to community appear to be amenable to diversity.

However, a strong perception is that the company is not diverse at upper management levels (using both surface-level and deep-level characteristics) and that diversity, of the racial and gender varieties at least, may be difficult to accomplish. Additionally, employees were quick to point out inconsistencies in management behavior across business units and locations that went against articulated company values, adversely impacting diversity. Also, the presence of an informal but powerful "good old boy network" and the practice of pre-selecting individuals for promotions appear to impede the mobility of women and underrepresented minorities. Further, as the organization has acquired business units in other parts of the country where employees include many more non-English speakers, its "monolingual" emphasis on using English is coming under increasing scrutiny.

While members of upper management have been successful in articulating a core set of values that are perceived to be fair and inclusive of all population segments, they lack a variety of comprehensive institutional methods and processes to promote diversity. Attention must be paid to (a) sources of employee recruitment, (b) fairness of employee promotions, and (c) creation of well defined career paths for women and other underrepresented minorities if the issue of diversity is to be adequately addressed.

Managers should note that a well-intentioned culture, by itself, does not ensure a diverse organization. As the present study indicates, additional management actions may need to be taken to create a workforce that reflects an organization's customer base. Managers who wish to conduct an audit to assess culture's impact on diversity are encouraged to use qualitative techniques such as the interviews and focus groups used in this study. Although data-gathering can be time consuming and expensive, interviews and focus groups yield rich, detailed, and managerially useful insights into a complex topic that cannot easily be acquired by paper and pencil survey instruments.

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STRATEGIC MANAGEMENT IS NOT A SOLID PROCESS MAIN POINTS OF AN EMPIRICAL SURVEY OF THE STRATEGIC MANAGEMENT PRACTICES OF LARGE COMPANIES

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ABSTRACT

This paper describes the results of an empirical study carried out in Finland. The aim of this study was to evaluate the elements of the implementation phase of strategic management in large corporations. The general picture formed in the study is clear: formulation systems work, but implementation systems do not. First, the survey identified problems in organizing and coordinating strategy implementation. The respondents typically considered that the strategy formulated was not sufficiently concretized into clear programs. In addition, coordination of strategy implementation was also found inadequate and resistance to major changes was common. Communication was another major problem: strategy information did not flow from the creators of strategy to the implementers. Additional problems were related to rewarding and controlling systems. The rewarding system and strategic performance were not considered to be adequately connected. And as far as the reporting system is concerned, it could be noted that too often it did not support the control of implementation. Therefore, the main conclusion of the paper is that strategic management in practice is not a consistent process or even a process of processes, but it breaks up and limps badly in the implementation stage.

INTRODUCTION

Andrews (1971) simplified strategic activity into a two-phase model, from which an apparatus of strategic management shaped itself in the 1980s. The two main parts were strategy formulation and strategy implementation. Both of these phases can be divided into several sub-phases, as typical best-selling textbooks both in America (Thompson & Strickland 1999), and in Europe (Johnson & Scholes 1999) show. Normally, the phases mentioned above are separate and follow each other. This separation has both raised theoretical criticism (see e.g. Kippenberger 1998) and created practical problems in linking the two parts together again, as, for example, in the case of Xerox (Tyson 1998, 16). Therefore, these phases often overlap in real-life companies, too (see e.g. Feurer, Chaharbaghi & Wargin 1995).

Nevertheless, if we examine the large literature on the topic, we can see that formulation is the part, which is both widely used and to which most companies are relatively satisfied with. However, implementation (organizing, communication, motivation, reporting, etc.) is an area, which has presented quite a few problems (see e.g. Macmillan & Tampoe 2000; Galbraith & Kazanjian 1986).

This paper describes the results of an empirical study carried out in Finland. The aim of this study was to evaluate the elements of the implementation phase of strategic management in large corporations. The primary target group consisted of the largest corporations in Finland, starting with Nokia and ending with the 600th largest company. This investigation was executed using a questionnaire, which was answered mainly by CEOs or Presidents in charge of strategic development. In total 108 acceptable answers (16.2 %) were received.

The average respondent company employed approximately 3,500 people and was over 75 years old. Thus, a typical large Finnish corporation has had a long life, and as a matter of fact there were 22 corporations that were at least 100 years old among our respondents. On the other hand, only less than one in every four companies had had their current structure over 20 years, while most of their organizational structures were 5 - 20 years old. The majority of the respondents operate in at least a mature field, while a third of them have their basis in a growth-oriented business. The majority of them had also used outside experts or consultants in developing their strategic planning processes, even though only fewer than 15 % had employed them in actual, ongoing planning processes.

THE IMPLEMENTATION SYSTEM DOES NOT WORK EVEN TODAY

Normally these corporations formulate their strategies once a year in an explicit process that takes 1 - 3 months. The process winds up and down in the organization following the "wriggling snake" model presented in management by objectives handbooks in the 1960s. It results in documents, which usually look either one or three years ahead. In addition, the corporations employ on average five different analysis techniques and seven different frameworks or "theories" during their planning processes. However, the formulation process is not rigid, while phases of analysis and specification overlap and the process goes back and forth every once in a while.

Let us now define two basic approaches to strategic planning discovered in our research: comprehensive and non-comprehensive. By a comprehensive approach we mean the employment of a number of analysis techniques and a set of different "theories" (like balanced scorecard, quality management, process re-engineering, benchmarking, etc.) in the process and thus more time spent in the formulation phase. On the other hand, a non-comprehensive approach results in processes, which are carried out without the extensive use of analysis techniques or "theories".

The general picture is clear: formulation systems work, but implementation systems do not. In the following chapter we will present some of the typical problems found in our research results. The conclusions represent the managers' own evaluations of the state of their systems and may thus give a more positive picture of the situation than is actually the case.

First the good sides of the strategy to be implemented. Management, especially top management, considers themselves very committed and the strategy itself is normally seen as executable and convincing. Usually the organizational structure is also consistent with the strategy even though almost half of the respondents revealed that personal roles within the process are not defined clearly enough. Nevertheless, the formulated strategy was not seen to conflict too much with their personal values. In addition, the typical strategy formulation process has a solid connection to the following budgeting process, even if this connection is not always considered sufficient.

ORGANIZING AND COORDINATION

First, the respondents typically see that the strategy formulated is not sufficiently concretized into clear programs in practice. In addition, coordination of strategy implementation is also considered inadequate. This is especially true in companies that have had their current structure only 5 years or less: in those cases only a third of respondents thought that the coordination efforts had been adequate. On the other hand, companies that had a comprehensive approach to strategic planning when formulating their strategy felt their implementation to be better coordinated than is the case in those corporations that had not employed a comprehensive approach. In fact, a majority of the corporations that had applied at least 9 different "theories" in their formulation process believed that their implementation process is sufficiently well coordinated, while a majority of others felt that their coordination efforts are inadequate. However, a clear majority of somewhat smaller companies believed that their implementation is well enough coordinated, whereas majority of larger corporations had noticed inadequacies in this area.

These two problems and also the good sides of the strategy mentioned earlier lead us to certain conclusions, which are not very surprising. First, it seems that Finnish managers do indeed know how to formulate good strategies. However, they see severe problems as to the realization of the strategy. These problems seem to be visible both in new organizations that have not yet found a stable form, and in large and complex organizations. Nevertheless, it seems that the use of a comprehensive approach in the formulation process reduces the amount of problems encountered in the implementation phase. This may be due to an expected, additional characteristic: Companies using several "theories" normally also spend more time in the formulation phase. This way they obviously go through their plans more thoroughly than corporations that use only a few "theories".

In addition, there commonly exists resistance to any major changes. The majority of the respondents felt that resistance exists to the implementation of strategy. What is the reason for this resistance is beyond the scope of our research, but the symptom was very clear. It is interesting to note that only a third of corporations that have been 5 years or less in their current form had not encountered such resistance, while majority of older corporations could implement their strategy without resistance. There is some reason to believe that there normally exists more resistance in young organizations. They are continuously on the move, and eventually this may bring about genuine resistance towards such perpetual change. Resistance to change was also considered more extensive if the strategy process involved participants from the business line level or, according to indicative results, if the formulation process wriggled up and down in the organization. Nevertheless, this could possibly mean two things. First, there is no resistance because the organization does not have enough information about the strategy. Secondly it could mean that such resistance exists, but it remains unnoticed because lower levels of the organization are not heard in the process.

COMMUNICATION

Communication is a major problem: strategy information does not flow from the creators of strategy to the implementers. This is true despite the fact that the respondents considered that the created strategy was sufficiently comprehensible and was not cloaked in excessive secrecy. Our results suggest that insufficient flow of strategy information was a problem especially in companies where only 1 - 3 hierarchy levels took part in the planning process. This could be seen as an indication of the need to involve the lower levels of the organization in the creation of strategy, too. This communication problem can be regarded as a structural issue because the respondents saw the strategy itself as comprehensible and not too secret, but still the necessary information did not flow down in the organization.

REWARDING AND CONTROLLING SYSTEMS

The rewarding system and strategic performance are not considered to be adequately connected. This was especially true in companies where at least four hierarchy levels took part in the formulation process. Our findings also imply that it was considered a major problem in corporations where the process went up and down in the organization or where the planning process was carried out bottom up. However, respondents that followed the traditional top down model in their processes did not seem to consider this a problem, which might, of course, be due to the fact that the managers themselves were the respondents. This could indicate that the rewarding systems do not sufficiently remunerate people for the realization of strategy, which may cause problems in attitudes towards implementation. On the other hand, majority of the respondents thought that their rewarding systems were comprehensive and coordinated with strategic goals and measurement systems.

As far as the reporting system is concerned, we can note that too often it does not support the control of implementation, which is what it should do. Once again, this might suggest that managers have not been able to see just what they should be measuring in order to make sure that the formulated strategy is also implemented. Still, majority of corporations controls the implementation of strategy with a specific reporting system, which is usually based on an exact measurement system. Unfortunately this reporting system seems to be formed primarily for the needs of budgeting and not so much for the needs of strategy, which is a common problem in companies everywhere (Kaplan & Norton 2001). It is still interesting to note that majority of companies that did not follow an explicit process in their formulation efforts also did not control the implementation of strategy with a specific reporting system, nor did they use an exact measurement system.

Another troublesome issue is that almost half of the respondents believed that not enough attention is paid to implementation problems. This was considered a problem especially in companies that go through their planning process in a month or less, in which case over ¾ of the respondents saw this as a problem. However, the respondents also claimed that the more "theories" had been employed in the formulation process, the more often these implementation problems were being reacted to.

We believe that this could be an indication of the fact that both the formulation and the implementation of strategy should be taken seriously. Companies that spend enough time and effort in formulating their strategies and that are willing to look at their strategy from several perspectives are probably also more willing to spend more time on the implementation phase, too. Thus, they may also be more willing to confront the problematic issues raised during the implementation, not simply ignoring them. All in all: The more care and effort in strategy formulation, the fewer problems in implementation.

CONCLUSION

In conclusion we may note that a number of serious problems still exists in the implementation of strategy. In this paper we presented some of them, namely those that managers of large Finnish corporations found to be most significant in their own organizations. However, we believe that these problems are significant issues in other countries, too, and should be taken seriously by managers who work in strategic planning.

The first major issue identified in our survey was problems in organizing and coordinating strategy implementation. The respondents typically see that the strategy formulated is not sufficiently concretized into clear programs. In addition, the coordination of strategy implementation is also inadequate, and resistance to any major changes is common. Communication is another major problem: Strategy information does not flow from the creators of strategy to the implementers. Additional problems were related to rewarding and controlling systems. The rewarding system and strategic performance were not considered to be adequately connected. And as far as the reporting system is concerned, we can note that too often it does not support the control of implementation, which is precisely what it should do.

The commonness of these problems indicates that adequate time and effort should be devoted to the formulation of strategy. Our belief is that this would result in fewer problems in the implementation phase.

Strategic management, therefore is not in practice a consistent process or even a process of processes, but it breaks up and limps badly in the implementation stage. Moreover, the wisdom that would facilitate the implementation of strategy is still missing. The formulation of strategy and also the budgeting process may well constitute a consistent process even in large organizations, but after that the consistency vanishes. Even so, there does exist consistency in the implementation phase, too. But this is visible only on a sub-function level. So we may identify an organizing system, a communication system, a motivating system and a control system, but not a consistent total implementation system.

The results of our empirical survey should be taken even more seriously than the percentages would suggest. The respondents, who were CEOs and Presidents of Business Development, were the strategists themselves and they judged their own systems and creations. In addition, it must be noted that the respondents probably also represented an "elite" of companies; companies that take their strategy process seriously and aim to develop it, too. Things are almost certainly not done so well among the firms who did not respond, or so we assume.

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STRATEGIC PLANNING - STILL ALIVE AND WELL KEY RESULTS OF AN EMPIRICAL STUDY OF THE STRATEGIC PLANNING SYSTEMS OF LARGE CORPORATIONS

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ABSTRACT

This paper describes the key results of an empirical study carried out in Finland. The aim of this study was to draw a general picture of the current situation of strategic planning of major corporations. The picture provided by the research is clear: the planning systems still work, even in today's business environment. It was discovered that a typical Finnish corporation formulates its strategy once a year in an explicit planning process that takes 1 - 3 months and proceeds up and down in the organization. However, it could also be seen that the stages of this process are not rigid, but phases of analysis and specification overlap. In addition, the study showed that Finnish corporations use a combination of several different analysis techniques and approaches in their strategic planning processes. The more techniques a corporation used, the more approaches they used, and vice versa. It was also revealed that the number of techniques and approaches is higher in cases where outside experts or consultants have been used in the construction of the process. Therefore, the main conclusion of this paper is that the planning machine still runs smoothly - despite all the criticisms that have been expressed.

INTRODUCTION

The prevalent model of strategic planning was created some thirty years ago, by Ansoff (1965) and Andrews (1971) among others. Later, in the 1980s, this model came to serve as the first major phase of a typical strategic management framework. The course and elements of this strategic planning model - in its current form - are well presented in the United States in, for example, the work by Thompson and Strickland (1999) and in Europe in the textbook of Johnson and Scholes (1999). There has been much analysis and many critiques of this model, the most sophisticated obviously coming from Mintzberg (1994).

In recent years more and more criticism has been presented especially concerning the way this model disconnects planning and formulation from the implementation of strategy. An increasing number of researchers are nowadays suggesting that this process should be continuous or perpetual (see e.g. Kaplan & Norton 2001), and that rather than being created, strategies emerge and evolve (see e.g. Mintzberg & Lampel 1999). Even so, strategic planning has not faded away. It still exists as a part of the everyday reality of corporations (see e.g. Taylor 1997) and, naturally, governmental organizations (see e.g. Strategic Planning Advisory Committee 1998). Strategic planning is also alive and well in Finnish corporations as the results of our research will later show.

This paper describes the key results of an empirical study carried out in Finland. The aim of this study was to draw a general picture of the current situation of strategic planning in major corporations. Its primary target group consisted of the biggest companies in Finland, starting with Nokia and ending with the 600th largest company. This investigation was executed as a questionnaire survey, which was answered mainly by CEOs or Presidents of Development. In total 108 acceptable answers (16.2 %) were received from parent companies and subsidiaries.

On average the respondent companies employed approximately 3,500 people and were over 75 years old. Thus, a typical large Finnish firm has had a long life; in fact there were 22 corporations that were at least 100 years old. However, only less than one in four companies had had their current structure for over 20 years, the majority having an organizational structure that was 5 - 20 years old. Almost two thirds of the respondents operate in at least a mature field, whereas a third of them have their basis in a growth-oriented business.

COMMON FEATURES OF THE PLANNING PROCESS

The general picture is clear: The planning systems work. Typically, the strategy is formulated once a year, and this planning process takes in most cases 1 - 3 months. Over 80 % of the companies said that they follow an explicit process in formulating their strategy and that they do this just once a year. Only 2.8 % revise their strategy more often than once a year. Thus, we can say that an annual planning process is still common practice in large Finnish corporations.

The process takes three months or less in almost ¾ of the companies, but only less than 15 % of them manages to go through this process in a month. This haste is reflected in the respondents' views of the content of the formulated strategy. It transpires that the majority of those corporations that do get through their process in a month or less consider that their strategy is not convincing or credible enough, while more than ¾ of the companies that spend more time creating their strategy find their strategies convincing. Our results also imply that a clear majority of these "fast designers" feel that not enough attention is paid to problems in the implementation of their strategy. This is not a significant problem for the others. We believe that this once again suggests that the creation of strategy should be taken seriously and companies should devote enough time and resources to this process.

The process winds up and down in the organization. More than half of the companies replied that their process starts from the top level and proceeds via the lower levels back to the top, i.e. it follows the "wriggling snake" model presented, for instance, as long ago as the 1960s in handbooks on management by objectives. Interestingly, fewer than one in three companies formulated their strategy by the autocratic top down model.

Usually the process involved three hierarchy levels, although there was variation from one to six levels. Many researchers (see e.g. Kaplan & Norton 2001) suggest that the lower levels of the organization should be involved in the creation of strategy, and see this as a way to diminish the resistance the new strategy will encounter and to make the process more efficient. However, our results suggest that over two thirds of respondents that created their strategy using this "wriggling snake" model have encountered resistance to change, while a majority of companies that created their strategy applying top-down or bottom-up models have not encountered such resistance. Naturally, this might be due to the fact that the managers who were the respondents in this research, have simply not noticed such resistance when the lower levels of their organization were not involved in the formulation of strategy or participated only in a very early phase. The majority of the corporations had also used external experts or consultants in developing their strategic planning processes, even though only fewer than 15 % utilized them in actual ongoing processes.

RESULTS OF THE PLANNING PROCESS

The results of the planning project appear as documents. An average strategy document extends normally either one or three years ahead. Over 70 % of the respondents formulated their strategy to cover three years or less. Clearly; the most popular time span was just three years. However, it must be noted that almost every fourth company formulated their strategy to cover a period as long as 4 - 5 years into the future. Therefore, we can note that major corporations still formulate fairly long-term plans into their future. This is being done even though today the world is changing more rapidly than 30 or 40 years ago.

On the other hand, companies that create these long-term strategies feel that personal roles in implementing the strategy are not clear enough more often than was the case with corporations that design shorter strategies. This could be due to the naturally increasing amount of change the company faces during the time span of a long-term strategy compared to a shorter strategy. For example, a corporation with a long-term strategy will probably lose more of the people who it originally intended should take part in the implementation of the strategy than will be lost in a corporation with a short-term strategy. This may of course result in uncertainty about who should carry out the tasks of these people.

One important and unsurprising result is that strategic objectives and strategic programs are also practically always documented. On the other hand, only the main points of visions or missions are usually written down. This is natural. Companies see the setting out of objectives and programs as necessary because they describe concretely the areas to be measured and the things to be done. Time cannot be found every year for a radical rethink or rewriting of propositions (visions, missions), which are defined once for fairly permanent use. An interesting observation was that the stages of this process are not rigid: phases of analysis and specification overlap and the process goes back and forth every once in a while. This can be seen both in the fact that individual phases of the process were in many cases found to last 1 - 3 months (which was also the most common length of the entire process) and, on the other hand, in the nature of the process, which usually winds up and down in the organization.

ANALYSIS TECHNIQUES AND APPROACHES UTILIZED BY THE CORPORATIONS

It is also interesting to examine the types of analysis techniques these companies use and what kind of approaches (frameworks, "theories") they utilize in their strategic planning processes. We will start with the analysis techniques.

There were no surprises as far as techniques were concerned. The companies run their SWOT analyses and most of them also apply competitor and customer analyses. The other techniques come far behind. Three other techniques that were utilized in at least one in three corporations were risk analysis, life cycle analysis and cost/benefit analysis. Even so, the first three techniques were employed in at least twice as many companies as the three latter ones. According to our research, the least common analysis techniques were decision trees and PEST analysis, which were applied in only 6.5 % and 12 % of the companies, respectively.

Our first major observation is that companies use a combination of several techniques in their strategic analyses. On average the corporations have applied five different analysis techniques in their processes. It is also worth noting that one in four companies uses only three techniques or less, while almost a third of them employ at least 7 different techniques. However, the number of analysis techniques was also related to the use of external experts or consultants in developing the planning process. Those corporations that had employed external assistance had also utilized more techniques than corporations that had developed their process on their own. This outcome is only natural: To carry out strategy analysis is an essential part of every strategy consultant's everyday work. Thus, the participation of consultants in the construction of the system widens the technique base and makes it more versatile. However, a quite different finding was that the more analysis techniques the organization had used the more often its strategy was also found valid and reliable in the organization itself. We feel this indicates that the use of several different analysis techniques (i.e. thorough and comprehensive analysis) produces better deliberated strategies, which are naturally seen as convincing by other members of the organization, too.

An interesting additional outcome relating to consultants is this: They brought comprehensiveness and a broader perspective to the analysis. Competitor analysis, customer analysis and especially stakeholder analysis were utilized more often in cases where consultants were cooperating in the system's construction. All these three techniques enlarge the "sphere" of the analyst.

The "theories" section gave us a surprise, however. Our research reveals that even the new approaches are strikingly common. But the most interesting finding was that a typical company uses a combination of a number of different approaches. Almost two out of three companies have applied at least six approaches and almost a fourth of corporations reported the use of nine different approaches or more. On average the respondents had employed seven different approaches in their processes. Nevertheless, our results also imply that the more approaches a corporation employs, the longer it takes to create their strategy, which, however, is only natural.

The most commonly employed approach was found to be benchmarking, an instrument that has been utilized in over ¾ of the corporations. However, the traditional long range planning, short range planning, management by objectives and results management have not been forgotten, either.

Newer approaches like quality thinking in its various forms and balanced scorecard have also found numerous supporters in Finnish corporations.

The number of approaches applied was also closely linked to the number of analysis techniques employed. The companies that had used 9 or more approaches had usually utilized at least 7 analysis techniques in their planning process, too. The more techniques used, the more approaches used and vice versa. Returning to the contribution of consultants, it is apparent that as in the case of analysis techniques, the use of external experts or consultants increased also the number of approaches employed by the corporations. This clearly indicates that consultants bring sophistication into the planning system with a tool kit of several techniques and several approaches.

Individual approaches that seemed to benefit from the use of external experts or consultants were long-range planning, management by objectives and scenario work. Indicative results also suggest that balanced scorecard, results management and portfolio management were favored by external experts and consultants, too. In fact, portfolio management was applied in only one company that had not used external assistance. Thus we may assume this approach has gained supporters especially among consultants, whereas managers are not so familiar with the approach.

CONCLUSION

Above we described some key results from our empirical study of the world of strategic planning in large Finnish corporations. We discovered that a typical Finnish corporation formulates its strategy once a year in an explicit process that takes 1 - 3 months and proceeds up and down in the organization. However, the stages of this process are not rigid, but phases of analysis and specification overlap. We also found that Finnish corporations use a combination of several different analysis techniques and approaches in their strategic planning processes. In addition, we revealed that the number of techniques and approaches is higher in cases where outside experts or consultants have been used in the construction of the process. Moreover, companies that had employed several different analysis techniques had also utilized several different approaches and vice versa.

In conclusion it can be noted that the planning machine still runs smoothly - despite all the criticisms expressed. Why is it that it is still so popular? We think that there may be five main reasons. The first is the usefulness point of view; either the planning system is considered useful or at least it is believed that without one things would be even worse. Another basic reason might be its comprehensive pursuit of control. Large corporations typically seek control ability and the strategic planning system brings control into the process in three meanings. Firstly, the planning event strives for control of the past. Secondly, the aim of planning activities is to gain control also of the future. And thirdly, a disciplined planning system facilitates tight control of the planning event itself.

The third main reason is probably information-oriented; vital strategy information spreads conveniently to everyone who should receive this information. The fourth reason, which is related to the previous one, is educative: A strategic planning system is a good tool in training new key managers. Fifth, we believe that a strategic planning system creates cohesion. We would argue that the process creates a stronger sense of community among its members.

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AIRLINE ALLIANCES: IS THIS A VIABLE GROWTH STRATEGY?

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ABSTRACT

This research explores the viability of strategic alliances in the air industry as a favorable growth strategy. It appears that the avenue of growth currently embraced by the air industries is one of alliance. Both benefits and immediate concerns are reviewed. Although alliances provide multiple benefits, the most significant at present is the access to physically constrained airport slots. Regulating agencies are being watchful of antitrust violations.

INTRODUCTION

The horrendous acts of Tuesday, September 11th, 2001, have nearly devastated the airline industry. Lack of consumer confidence coupled with low ridership, massive insurance claims, heightened security expenses and a too small government "bail out" defines the immediate economic struggles of the airline industry. The outcome from these regrettable circumstances is yet to be seen.

The airline industry is facing economic constraints to growth that are exacerbated by physical and operational limitations. A recent tactic implemented in the airline industry is the use of alliances between companies. Consequentially this review will focus on whether airline alliances are a viable growth strategy. These partnerships appear to be attractive propositions that do not carry all the burdens of a merger. Both passenger airlines and the air freight component of the industry are experimenting with this technique. Some alliances are multifaceted and produce global networks. Others have emerged as integrated carriers servicing both passengers and freight (Bissesur & Alamdari, 1998).

The idea of partnership agreements dates back to the inception of the airline industry. Pan Am and W. R. Grace produced an ill-fated alliance in the 1920's (Nolan, Ritchie, & Rowcroft, 2001). Recently this avenue of growth is being re-employed. Alliances and what they constitute vary. These regional, national and global linkages proffer up access to world distribution systems, reduced costs, brand recognition and new market penetration. By not forming a merger, they avoid the trials of integrating labor groups and work rules. A concern raised in the literature questions the health of competition in the wake of an increasing number of alliances.

BENENFITS OF AIRLINE ALLIANCES AND CURRENT CONCERNS

Technological tools have eased access to world distribution systems and new markets. Airlines have enhanced alliance participation through a procedure known as code sharing. This is where the computer code for each flight is shared between the carriers. This allows one airline to put its passengers on partner airlines' flights (Solman, 1998). To the dismay of independent travel agencies (Burke, 2001), airlines act as each other's agents, coordinate information systems, book seats and register joint frequent flier miles. Complimenting this, all-ticketing, boarding passes and baggage handling can be done at the point of origin. Code sharing agreements may also be seen as a response to the traveler's desire to remain with the same carrier from home to the final destination (Morrison & Winston, 1999).

There is a perception held by some passengers that the likelihood of baggage making a successful and timely arrival increases if travel is restricted to one carrier. This concern varies among passengers, but is crucial to the air freight business. With many firms depending on "just-in-time" shipments and other time-definite products, a seamless delivery is essential. Here the value of "travel time savings is a critical parameter" for the transportation industry (Hensher, 2001, p. 71).

The alliance must provide a unified operation that proves smooth and time efficient, as well as cost effective. The benefit to the freight forwarder is the opportunity to deal with one carrier with access almost anywhere in the world. In order to allay some of the concerns, the air freight industry has adopted the use of tracking parcels by electronic data exchange and the Internet. Alliance partners have had to integrate their platforms beyond simple code sharing. These involved network strategies are the product of careful planning that take into consideration changes in aspects of demand and customer needs. This provides an increased visibility of the shipment across the network of carriers (Leung & Cheung, 2000).

The price of airline fares may have varying and opposite responses to corporate alliances. J. Maldustis, who analyzes the airline business for Salomon Smith Barney, reported that between 1996 and 1998 that full fare prices for passengers were up by 8 percent and discount prices were down by 6 percent (Solman, 1998). He concluded that this indicates price competition is still present and that alliances have not led to "across-the-board" higher fares. He stated that business travelers have fewer alternatives. From this he predicted that fares will continue to rise. The more flexible traveler, speculated Maldustis, will benefit from the carriers competition through special discount fares and special sales. Brueckner and Whalen (2000) reported findings that alliance partners charge interline fares that are approximately 25 percent below those charged by non-allied carriers. In addition, from a study of global airline alliances using cases from the North American market, Park and Zhang (2000) discovered airfares decreased by an average of $41 on the routes served by the allied carriers. The viewpoint expressed in all three of these studies was positive; they shared the opinion that consumers are generally better off because of alliances.

Beyond marketing and cost reducing features, the benefit of alliance is also measured through traffic changes. Bissessur and Alamdari (1998) focused on the change in the level of partners' inter-hub traffic resulting from an alliance. He stated that economies of density can best be realized by an increase in partners' network size and compatibility, in frequency of service between hubs of the partners, the flight connection time at the hub and the level of competition on their network. Park and Zhang (1998, 2000) analyzed the effects of airline alliances on partner airlines' outputs by comparing traffic changes on alliance routes with those on non-alliance routes. They discovered that equilibrium passenger volume increased by some 36,000 passengers annually in four case studies from the North American market. Airport gate access is crucial to carrier viability because it has become a limiting factor (Viscusi, Vernon, & Harrington, 1996). In most countries, airlines can only rarely obtain gate space in established markets and major airports. Nolan et al. (2001) postulated that the primary strategic purpose of alliances is to increase gate access.

A second possibility is the consolidation of the barriers to entry. In a World Bank developmental study that reviewed the urgency of funding international airport construction, flight and gate slots emerged as an important concern. Flight slots refer to landing and departure times and gate slots refer to terminal utilization. Slots alone have triggered international alliances. British Airways (BA) and American Airlines have proposed an alliance that has come under scrutiny by the European Commission. The commission demanded the disposal of 267 slots at Heathrow and Gatwick airports as the price for approval of the alliance. The prospective partners, in turn, have requested that they be allowed to sell the slots (Ginés de Rus, 2000; "Air carriers: The urge to merge," 2001). "The European Commission halted the BA and American first attempt at a transatlantic marriage." (Transatlantic airline link-ups hit turbulence, 2001, par. 9). The alliance of British Airways and American Airlines is again being considered by the US Department of Transportation, the European Commission and the UK Office of Fair Trading with a preliminary rulings expected by the end of November 2001. With regulatory and legal constraints preventing other forms of development, airline alliances are not a transitory feature of the international airline industry, but long term inter-organizational forms (Evans, 2001).

Airline alliances have drawn fire from both inside and outside the industry. The United States Congress requested a study conducted by an 11 member expert committee and chaired by Dr. John Meyer. It was prompted by concerns over alleged unfair exclusionary, or predatory, conduct in the US airline industry. Committee members differed in their views on the US Department of Transportation's enforcement role. They did unanimously urge aviation policy makers to take more positive steps, to be proactive rather than simply responding to allegations of problems. The committee looked for new policies to foster competition and entry in airline markets, including the introduction of market oriented methods for providing and regulating the use of airport and airway capacity and to undertake more thorough reviews of proposed airline alliances and other partnerships (Meyer & Menzies, 2000).

Delta Air Lines filed a protest with the US Department of Transportation, urging the department to defer action on the latest request for antitrust immunity presented by a British Airways/American Airlines alliance ("Delta urges US DoT to defer action on BA-American Airlines proposed alliance," 2001). Delta has been joined in protest in the media by Continental Airlines and Northwest Airlines. They made a combined plea to the US, UK, and European Union regulators not only about the BA/AA alliance but also a proposed alliance between United Airlines and British Midland Airways. Their rancor was voiced. "The British Airways/American and United/British Midland alliance transactions are poison for competition," said Continental Chairman and CEO Gordon Bethune. Delta Chairman and CEO Leo Mullin added, "This allocation of slots to other carriers would be the only solution" ("United/British Midland proposal…", 2001, pars. 4 & 10). The system of financing the alliances has also been questioned.

Oum, Zhang, and Zhang (2000) investigated the relationship between air carriers' debt and capacity. With the oligopolistic markets that are further entrenched through alliances, the capacity does not minimize the total costs. They referred to the fact that the airline industry is among the most highly leveraged industries and concluded that alliances will demand an even heavier use of financial leverage. Scott Flower, a transportation analyst with Salomon Smith Barney in New York, reports that DHL, an airfreight carrier, is spending millions of dollars on building infrastructure and buying new aircraft in Asia, Latin America and Europe. DHL has also concluded several alliances with national postal services. As for United Parcel Service, he believes the carrier's one billion dollar public stock issue last year was designed to raise cash for acquisitions and alliances ("Air carriers: The urge to merge,"2001). He expressed concern over the financial position each of these air freight carriers have assumed and that an intense focus on yield and traffic flow may lead to disquieting results.

CONCLUSIONS

The six largest US airlines announced in the beginning of 1998 the formation of three domestic alliances and the scope of these alliances spurred significant public interest (Clougherty, 2000). This paper has been developed to review the current speculation as to the viability of this strategy. Opportunities that benefit the airline industry and its customers have been easily recognizable. Advantages have come in the form of smooth marketing, cost reductions, and terminal utilization. All stimulate customer use. Concerns about exclusion, the heavy use of financial leveraging, and stimulating government regulation have arisen in the print.

Alliances between air carriers have been practiced almost as long as there has been an airline industry. Presently, with renewed interest in forming alliances, many critics have been raising the alarm of antitrust. Meyer and Menzies (2000) in these post deregulation times called for a return of more governmental control. They encouraged positive policy actions to support technological innovations that foster entry and more effective and efficient competition.

Both regulatory agencies and competitors are wary of alliances. As to the consumer's benefits, "more people fly now than have ever flown before. More people can afford to fly. There are more flights and there's more service" (Solman, 1998, par. 38). Dr. Maldustis concluded his thoughts with, "One very final simple statistic: Airline fares today (1998), adjusted for inflation, are twenty seven percent below those fares in 1978." The benefits for the air carrier accumulate in the access to the limited airport flight and gate slots. This opportunity, where growth is held by physical constraints, gives immeasurable advantage to an alliance. Unless major airports mount large expansion projects in the near future, the benefits of airline alliance will outweigh cost.

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E-GOVERNMENT: A CATALYST FOR CHANGE IN THE PUBLIC SECTOR

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ABSTRACT

This article examines the evolution of e-governance and the key challenges facing government officials and public sector managers. In order to understand the scope of the e-government revolution, major developments are reviewed. Then, attention turns to the process of renewing and transforming government, highlighting the challenges that must be addressed to effectively manage transformation efforts. The article concludes by outlining change strategies that can be employed by the public sector to keep up with the e-commerce transformation in the private sector.

INTRODUCTION: THE DAWN OF E-GOVERNMENT

Back in 1997, a report from KPMG Consulting stated that the public sector was facing a "crisis of expectations" - a widening gap between the capabilities of government to provide services and the needs and demands of citizens. In short, all public sector agencies had to face a looming reality; namely, that "the same old ways" would simply have to be transformed in a challenging new environment, moving from a resource or agency-based perspective to more of a customer or needs-based approach. Successful leaders in the public sector were thus challenged to focus on "What do our customers need and how can we provide it?", as opposed to "What can we do with what we got?" (KPMG Consulting, 1997, p. 14). E-government is certainly a buzzword today - and properly so. In the observation of Tim Bergin, an American University Professor of Computer Science: "The purpose of government is to collect taxes, provide infrastructure like roads and highways, supply people with information and to serve as the intermediary, and you can do it all online" (Caterinicchia and Haubold, 2000, p. 32).

E-COMMERCE AND "THE LAST BASTION OF INEFFICIENCY"

With e-government, as Mark Roberti so acutely framed the issue, e-commerce has finally reached "the last bastion of inefficiency" - the government (Roberti, 2000, p. 1). As Tom Davis (R-Va.) observed: "When you think of government, what do you think about? You think of chads?" (quoted in Matthews, 2001, p. 1). Former House Speaker Newt Gingrich (2001) brought the matter home in the fact that nationwide, not just in Florida, the error rate in the 2000 Presidential election was 1.6%, asking one to "imagine if your gas station or your ATM was that unreliable on every transaction" (p. A26). Speaker Gingrich (2000) speaks hopefully of the potential power of e-government, stating that: "Technology, and the efficiency it brings, contains the seeds of a transformation that would dramatically reduce bureaucracies, expand freedom, and shrink the role of government" (p. A26).

In the eyes of OMB Watch (2001), "the idea of electronic government continues to gain currency among the American public, despite a clear definition or set of standards to follow" (p. 1). The benefits of e-government include: cost-effective systems that can reduce information gaps and unnecessary duplication of information; greater connectivity among existing resources; reduced complexity, while enhancing or improving the quality and range of services offered; and more accountable government, whose responsiveness can be better measured (OMB Watch, 2001).

Much of the e-government spending thus far has been directed at putting citizen services online and making government - and governmental services - available on a 24/7 basis. Much effort has also been directed at selling online to citizens, thereby entering government into the realm of e-commerce itself in a large way. In fact, in a groundbreaking study, sponsored by the Pew Internet and American Life Project and Federal Computer Week, Judi Hasson and Graeme Browning (2001) conducted the first comprehensive review of online sales activities for the federal government. They found that the federal government has at least 164 websites that sell items directly to the public. Yet, as Hasson and Browning (2001) observed: "For all its success in establishing a digital marketplace, the (federal) government seems to be going about the job in a haphazard fashion…as there are few rules and even fewer standards for conducting business" (p. 3). Quite surprisingly, the federal government's online sales exceed those of Amazon.com and eBay…combined (Brown, 2001)!

THE NEXT AMERICAN REVOLUTION

We are in the early stages of what has been labeled the American "dot.gov revolution," in which "electronic government can fundamentally recast the connection between people and their government" (Council for Excellence in Government, 2001, p. 2). Yet, what does the American public think of and want from e-government? Is e-government spending in the United States being spent in the manner the public desires?

Perhaps the best barometer to date of the American public's mood thus far is a report entitled e-Government: The Next American Revolution, released in 2001 by the Council for Excellence in Government. This organization brought together hundreds of leaders from the public, private, and non-profit sectors to discuss the future of e-government and what it will mean to the country. As part of this groundbreaking study, the organization commissioned the Hart/Teeter organization to conduct the largest nationwide poll of both the general public and government officials on e-government. The poll has a margin of error of approximately 4%.

The poll clearly shows that there is strong public support for efforts to apply technology to make government "faster, better, cheaper," as approximately three-quarters of the general public expressed a desire for e-government to be a high priority on the governmental agenda. Perhaps even more important is a telling statistic culled from the organization's report. This is the fact that, in general, those who have had the opportunity to interact with e-government have almost double the degree of trust in government than those who have not used e-government. While this may be a factor of the higher educational and income levels associated with Internet users as opposed to non-users, it highlights the importance of making e-government - if not Internet access in general - available to all (Council for Excellence in Government, 2001).

In the survey, the Hart/Teeter organization posed a question asking "What will the most important benefit of e-government be?" They gave respondents, both citizens and their public officials, four options. The results are given in Table 1:

Table 1

The Most Important Benefit of e-Government will Be?	Public Officials	General Public
Allowing for greater public access to information	34%	23%
Making government more accountable to its citizens	19%	36%
Making government more efficient and cost effective	17%	21%
Providing more convenient government services	23%	13%
* Source: Council for Excellence in Government (2001, p. 6)		

What can be seen is a clear dichotomy in the views of governmental leaders and the general public. Public officials placed a greater emphasis on making services and information available to their constituents than did the constituents themselves. Thus, while much of the dollars spent thus far on e-government has been directed towards enabling citizens to do things such as pay taxes and fees online and to view public hearings or communicate with their elected officials via email, the public does not seem to desire these benefits of e-governance as much as others. Instead, from the results of the survey, the electorate seems to want e-government not to make information "faster, better, cheaper," but rather, to make government itself "faster, better, cheaper." In analyzing the survey results, the governed appear to have a much greater desire than their government officials to make the public sector - and its leadership - more cost-effective, efficient, and accountable through the tools offered by online technologies.

Indeed, governments all around the world examining how they can best make use of the Internet to migrate from traditional, paper-laden and bureaucratic procedures to the Digital Age. Just as with their counterparts in the private sector, public sector officials and managers are looking at every process to examine how it can be made "faster, better, cheaper" with the introduction of new technologies. As of late last year, 220 countries have their own websites, and in the U.S. alone, there are currently more than 20,000 websites offering governmental information on the federal, state and local levels (Kaplan, 2001).

However, implementing e-government has been found to be more complex than the transition occurring in private enterprises (Hunter and Jupp, 2001). David Agnew, Executive Director of the e-business consulting firm Digital4Sight, observed: "We're still in a stage where in major industrialized countries, we're bumping up to the halfway mark" (quoted in Trimble, 2001,

p. 2). Indeed, in the United States, Matthews (2000a) acknowledged that, "the public is comparing e-government with e-commerce and finding the former to be substandard" (p. 1). This is namely because government agencies are not able to satisfy the public's demand for "faster, better, and cheaper" services (Matthews, 2000b, p. 1).

TRANSFORMATION OF GOVERNANCE

The move to e-government is quickly becoming a catalyst for change in the way government does business. Don Tapscott (2000) observed: "Industrial Age government is almost as obsolete as the Industrial Age corporation. We just can't see it as clearly yet" (p. 172). What we are witnessing today - and working through - is nothing less than "the transformation of governance - reexamining what a global, networked economy will mean to how democratic institutions work… (and) the relationship between the citizen and the state," with the big question today being, in the words of Von Hoffman (1999): "What does it mean to be an e-state, an e-government, or an e-citizen?" (p. 5).

David Agnew of Digital4Sight, observed: "Governments for a long time have been wrestling with how you become more customer-centric and customer-focused" (quoted in Trimble, 2001, p. 2). This paradigm-shift, a shift from process to citizen centricity, is the overriding force in the push for better government - with e-government being a means to that end. As Bowles (2001) acknowledged: "Information technology is no more and no less than a powerful tool that can dramatically transform government…(but) it is the time-tested concept of good governance that remains" (p. A1). However, this view of citizens as "customers" and the central focus of governmental efforts may be the biggest transformation of all (Von Hoffman, 1999).

CONCLUSION

Following - and building upon - the trends in the private sector, many have suggested that a more entrepreneurial government is needed to fully leverage the power being brought about by the Internet Revolution. This will mean promoting entrepreneurial leaders within government at all levels and forging partnerships with those persons and companies that can help the public sector take advantage of the opportunities present today. Further, these leaders will be required to successfully meet the challenges of transformation; namely, to convey a sense of urgency, create a blueprint for change, empower workers to act, and orchestrate short-term wins and visible successes. Former Speaker of the House Newt Gingrich observed that government leaders need to bring a more entrepreneurial approach to governance, being willing to take chances and learn from mistakes.

He also believes that the American people are more in this mindset and will be willing to embrace change and politicians who adopt the "Silicon Valley model" as a way of doing things, as opposed to the Washington way of doing things (cited in Swisher, 2000). In a research monograph, produced for the PriceWaterhouseCoopers Endowment for the Business of Government, the lead author of this article developed the notion of the "TQM Voter" (Wyld, 2000). This is based on the premise that Colvin (2000) observed to reflect the triumph of what he termed the "business culture," which can be seen in almost every facet of society - including government. As such, individuals are expecting their governmental leaders to look to business for ideas and expertise. How many millions of workers have been exposed to quality concepts at work? Anecdotal evidence would certainly suggest that a majority of today's employees have worked - in some form or fashion - with quality tools and methods on the job. Thus, it would be reasonable to conclude that we are likely to see the emergence of the "TQM Voter." Holding to the principles of Total Quality Management, voters will increasingly encourage - and expect - government to benchmark the best practices of business and apply them to governmental operations. Taxpayers will want to see government - at all levels - be e-enabled. Former Speaker of the House Newt Gingrich observed that government's "e-customers will begin to carry (internet-inspired) attitudes into their relationship with bureaucracy, and as e-voters, they will favor politicians who work to make their lives easier, and therefore more convenient" (quoted in Swisher, 2000, p. B1). As such, we will be moving towards an era where truly, political officials and governmental managers may be evaluated by the outcomes they produce (in terms of speed, efficiency, savings, increased revenue, etc.), rather than producing paperwork and more bureaucracy.

As e-business continues to become business and simply the way things are done, it is felt that, more and more, both elected officials and public sector managers will be judged on how they leverage e-commerce technologies in operating government. We may be entering an era where the public will be looking for a more efficient, continuously improving government. According to Borrus (2000), the overall economy could benefit due to the fact that "as the cost of delivering government declines, governments might be better able to hold the line on tax increases, despite population growth" (p. 76).

It is believed that now more than ever, voters, many of whom have been exposed to quality, best practices, and benchmarking in their own work, will be looking to government to employ the same tactics. Over the next decade, voters will reward innovation in e-government - and perhaps even be tolerant of some level of failure in the process. One will recall that the Council for Excellence in Government found the disconnect between what the public and their elected officials desired from e-government, with the public wanting government to be made more accountable and cost-effective.

To cite just one example, according to Brenda Willard, Acquisitions Director for the State of Minnesota's Materials Management Division, her state's legislators were very supportive of their pilot program to test reverse auctions for goods. However, they were very resistant to have auctions that might interfere with "plum" areas - such as services and construction (cited in Morehead, 2001). Looking into the future, the TQM Voter will look to public officials to provide them with clear information on e-government accomplishments (which also helps in providing the intangible rewards just discussed for those actively implementing the concepts) and make decisions on these officials based on their e-government track record, which will be assessable through clearly defined metrics.

We are thus at an inflection point where e-government strategy is becoming government strategy. In short, the TQM Voter will expect implementation of technologies to make government operate "faster, better, cheaper" - and hold public officials accountable for their strategies and results across the board. Thus, the challenge is present for government officials and public sector managers to effectively manage the transformation process and to recruit and retain the workers who will be the key "e" - as in employees - in the e-government revolution.

REFERENCES

Available upon request.

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