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MEANING OF WORKING IN THE UK

Anthony Anderson, Minot State University
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ABSTRACT

The United Kingdom's economy is extremely service-orientated, being primarily focused in the financial, communications, and transportation sectors. (U.S. Department of State) This clustering of relatively detached industries may be responsible for a lack of correlation to intrinsic satisfaction. It is worth noting that a significant amount of research has been done concerning the work ethic of the British population. A report published by the Centre for Economic Performance, an organ of the London School of Economics and Political Science (a college of the University of London), recently published a report declaring the dilution of the British work ethic. The author of the study, Jean-Baptiste Michau, puts forth that the expansion of welfare policies in the United Kingdom has degraded the national sense of a strong work ethic. (Michau 2009). In the current paper we use data from 348 employed individuals from the UK in order to examine the influence that their wok norms has on their income. Of the six MOW work norms just two were found to be statistically significant - Centrality of Work and Obligation.

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CUSTOMER SERVICE, COMPENSATION, AND MEANING OF WORKING IN NORWAY

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ABSTRACT

How might the meaning of working in Norway influence the customer service and the compensation satisfaction of individuals within Norway? How might Jaques' management ideas about equity hold up in Norway? These are the questions we have sought to answer in this paper.

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SMALL-FIRM COMPETITIVE STRATEGY

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ABSTRACT

This study examined the competitive strategies of 167 small firms in rural Kansas and Missouri. Fifty-eight firms were differentiators and forty-five were cost leaders. The remaining firms were unable to articulate a specific generic strategy and are what Porter described as "stuck in the middle." We consider these results to be important because with fifty years of combined experience consulting with small firms, we strongly believe that the most successful generic strategy is focused differentiation.

INTRODUCTION

In 1980 Michael Porter published *Competitive Strategy: How to Analyze Industries and Competitors*. This book quickly became a New York Times best seller. Thirty-one years later, it remains in print in hardback only. Porter's thesis was that there were only two ways to compete successfully: Cost Leadership and Differentiation. He called these "generic competitive strategies." Cost Leadership means just what it says: achieving the lowest cost of goods or services sold in the firm's competitive domain (industry or industry segment). The Cost Leader in discount retailing is Wal-Mart; through massive scale, the efficiency of its distribution system, and effective advertising, it has become the world's largest retailer. The challenge for the cost leader in any domain is not to be so cost-focused that it fails to spot innovations which change the domain. Examples: Sears, independent booksellers.

In contrast, differentiation is about being different. Porter's phrase is "perceived uniqueness." Successful differentiators set themselves apart from the competition by offering something – features, options, customer service, image, etc. – for which customers are willing to pay more. Examples in department-store retailing are Nordstrom and Neiman Marcus. The danger for differentiators is not to allow the price gap between them and the cost leader to become so large that customers are no longer willing to pay the difference. Examples: Wanamakers (Philadelphia) and many other now-defunct upscale, local department stores.

Common characteristics of cost leaders are large production facilities, long production runs, centralized decision-making, and tight control systems. Differentiators, on the other hand, rely heavily on surveys to keep them abreast of what their customers value and perceive in the differentiator's product or service offerings. They are also characterized by decentralization, informality, higher gross margins, and significant investments in R&D. They are ever-alert to complaints about price because those tell them that customers don't perceive value.

Porter also offered a 2x2 matrix of these strategies. The “Y-axis” is for the scope of operations. “Wide” means a business that competes industry-wide, and “narrow” is for a company competing in an industry segment, which the strategy literature (Caves & Porter, 1977) calls a ‘strategic group.’ Marketers might think of such a group as a “niche.” The Porter strategy matrix, then, is a 2 x2 matrix with two choices for how to compete and two for scope.

Although numerous studies have attempted to relate these two basic strategies to firm performance, we are aware of none that address this research question: “What percentage of small, non-public companies employ which type of strategy with which breadth of scope?” The purpose of this study was to answer that question. We define “small non-public companies” as those employing fewer than one hundred people.

METHODOLOGY

MBA students and final-semester undergraduates conducted 167 onsite interviews with CEOs and sole practitioners in the Fall 2010 semester. Interviewees were from southwest Missouri and southeast Kansas. Each respondent was asked to complete a questionnaire – Appendix 1. All of the interviewers had been trained (in class) about generic strategies. That turned out to be important because, as we later learned, in most cases the interviewer had to explain what “generic strategies” are.

Respondents were also asked to check the appropriate block on the survey form indicating the generic strategy they employed, to indicate their type of business (service, retail, manufacturing or wholesale), and to disclose employment levels for 2009 and 2010.

RESULTS

All companies reported employing fewer than 100 people in 2010. Thirty-two (19%) reported an increase in employment last year, while the rest reported flat or declining headcount . These are consistent with trends in the U.S. economy at large.

Forty-five companies (27%) said cost leadership was their choice of strategy, while fifty-eight others (35%) chose differentiation. The remaining enterprises (38%) reported “both or none” as their strategy; Porter (1985) described this as “stuck in the middle” – a company tries to be all things to all people and refuses to commit to a strategy. We saw no obvious connection between the type of business or employment levels and the firm’s generic strategy.

DISCUSSION

We can only speculate about why most interviewees needed a definition of ‘generic competitive strategy’ before they could answer that particular question, but we believe it derives from the use of ‘generic’ in that context. Had the questionnaire used the phrase ‘competitive strategy’ with the labels “low-cost” and “being different,” we suspect explanations would not have been necessary.

We are more concerned, however, about what we see as a strikingly self-destructive strategy choice by some companies: the choice to compete on cost. Though we didn't ask for financial performance figures, we are confident that many of these 'cost leaders' are making subnormal rates of return and, thus, are in a slow state of liquidation, but don't even know it. This creates a teaching opportunity for small colleges in rural areas: the market of small-business owners and senior managers. It seems to us that knowing the unsustainability of having a cost-leader strategy in a domain where the cost leader is a much larger company would be valuable for them to know.

Of course, they might well ask, 'What then?' Classes could instruct them about resources and about, as Penrose (1995) wrote, the importance of identifying additional services that can be provided by existing resources or combinations of resources. The second author of this paper, in fact, did that in his own consulting practice: he saw that the tools of strategic management lent themselves to easy and needed applications in valuing middle-market closely-held companies where the assumptions of traditional microeconomics (profit maximization, the firm-as-production-function, etc.) do not apply. He has carved out a lucrative niche which, 17 years later, only he occupies.

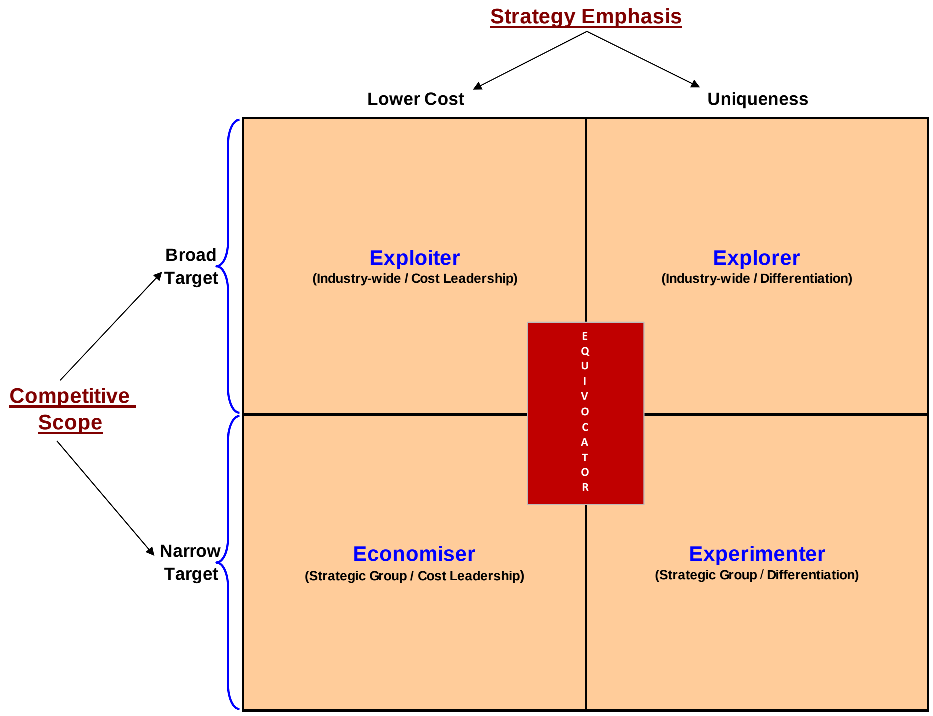
In addition, small-business owners and managers could be encouraged to develop their employees by, you guessed it, underwriting their attendance in evening classes. This could be done in conjunction with what Miller (2010) called "personal development programs." These offer a way for owners, officers, and employees to take personal ownership of their careers and grow their skills and knowledge in order to support companies' growth. It is much less risky to promote from within.

CONCLUSIONS

Of the 103 firms making a deliberate strategy choice, 58 chose differentiation. Because interviewers had to explain "generic strategy" to business representatives, we infer strategy, in general, and generic strategy in particular was not a "front burner" issues for them. This is a troubling because a consistent strategy has been demonstrated to correlate with performance in a large number of empirical studies.

In addition to picking the appropriate strategy, firms must decide how to implement the strategy. This means figuring out what to do in each of the functional areas of the business in support of the strategy and this requires transformational leadership (Parnell, 2008).

Based on a combined half-century executive and consulting experience, we have found that the strategy *du jour* for smaller non-public firms is differentiation with a narrow scope (Box, 2010; Miller, 2010). This reflects the fact that few middle-market companies have either the resources needed to be cost leaders or the footprint to compete across an entire industry (Peters, 2007). Working from Porter's 2x2 matrix, Miller (2010) devised a typology of 'strategy archetypes':



Note that each archetype begins with the letter 'E'. The name of each label conveys a basic idea of what it's about. Both alliteration and names make them much easier to remember. The 'stuck in the middle' Equivocator clearly conveys a mistaken strategy.

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Appendix 1
Pittsburg State University
Fall 2010
Strategy Survey

Interviewer:___________________________ Class:__________________
Name of the Firm Interviewed:________________________________
Name and Title of the person interviewed:__________________________
What is your primary line of business?_______________________________
Number of full time employees (2010):_____________________________
Number of full time employees (2009):_____________________________

How does your firm compete? Please check ONLY ONE block that best describes your strategy.
Low Cost and Low Prices: We diligently control costs and prices. It is common to use long production runs or large batches. We have very tight control systems. We (generally) have lower costs and selling prices than our competitors. [ ] Differentiation: Based on in depth knowledge of what our customers want, we have a wide variety of products and services. Our selling prices are “premium.” [ ] Neither of the above or both. [ ]

REGULATED CHANGE EFFECTS ON BOARDS OF DIRECTORS: A LOOK AT AGENCY THEORY AND RESOURCE DEPENDENCY THEORY

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ABSTRACT

This paper investigates the effect of new governmental regulations on corporate Boards of Directors (BODs). We have reviewed the literature pertaining to agency theory and resource dependency theory, both of which have been assumed to explain the actions of BODs. We examine the predictions of both agency theory and resource dependence theory regarding both the structure and actions of BODs in times of governmental regulatory change. We then describe four historical events in which radical changes were required by certain governmental regulations, and discuss responses by BODs to each event, and present a discussion of these responses and how they adhere to or stray from the predictions of both agency theory and resource dependence theory. We conclude the paper with recommendations for the direction of further study.

INTRODUCTION

Organizational theorists have examined the role of corporate boards of directors (BODs) from many different perspectives. Two major theoretical perspectives that provide insight into the role and structure of BODs are agency theory and resource dependency theory (Hillman, Cannella and Paetzold, 2000). In addition to academic attention, BODs have received much attention from the popular press as well. The most recent proliferation of attention paid to BODs is largely due to the Sarbanes-Oxley Act and the instigating events that led to its passage in 2002. The Sarbanes-Oxley Act of 2002, among other requirements, mandates strict controls by and of corporate boards of directors. Sarbanes-Oxley was passed in reaction to a series of corporate scandals of the late 1990s and early 2000s including at Enron, Tyco International, and WorldCom. Because of the impact of the Sarbanes-Oxley Act of 2002 on BODs, many questions have arisen in regards to the roles, responsibilities, accountabilities, and structures of BODs. Is the role of the BOD primarily administrative oversight and control, or is it primarily boundary spanning and environment linking? How can the BOD best be held accountable for the actions of the corporation? Are there corporate stakeholders outside of the shareholders to whom the BOD is also to be held accountable? What proportion of the BOD should be comprised of insiders and what proportion should be outsiders? Is the insider / outsider taxonomy the best way to categorize board members?

The intent of this paper is to consider the tenets of agency theory and resource dependency theory as they relate to the responses made by BODs in the face of major government regulated changes. In the remainder of this paper, we will first highlight the generally accepted major roles and responsibilities of BODs. This will provide a solid framework from which to examine the theoretical perspectives of agency and resource dependency regarding BODs. After highlighting the roles and responsibilities of BODs, we will then examine agency theory and resource dependency and their relation to BODs. Next, we consider a historical example – the Sarbanes-Oxley Act of 2002– as the context in which we will examine some historical responses of BODs to these government regulated changes. We conclude the paper with recommendations for the direction of further study.

THEORETICAL PERSPECTIVE – AGENCY THEORY

Agency theory broadly states, given that agents of an organization are responsible for conducting business in the interest of the organization, and given that an agent's own self interests will never align completely with the interests of the organization, agents of an organization will sometimes experience conflicts of interest when conducting business on behalf of the organization. Given also that people can be expected to act on behalf of their own self-interests when those interests conflict with that of another entity, and given that agents will sometimes experience conflicts of interests while conducting business on behalf of the organization, agents are more likely to act in the interests of the organization when their own interests are aligned with those of the organization or when their behavior is monitored or controlled against self-interested behavior. Thus, according to normative agency theory, corporations should either increase incentive structures that align the interests of owners and managers (Fama & Jensen, 1983) or increase monitoring, control and oversight of managers by owner principal delegates (e.g. BODs). In fact, Westphal (1999) found that "management incentives decrease the need for board monitoring as a control mechanism." In this respect, agency theory views the administrative function of monitoring and controlling top executive decisions and actions as the primary function of the BOD.

The first assumption of agency theory listed above, that wealth maximization is the primary goal of corporate owners, can be seen in the normative agency theoretical framework that often prescribes long-term, financial-outcome based incentives such as stock ownership, performance based stock options, or stock appreciation rights for senior executives. The logic behind these prescriptions is to ensure that management's self interests will be aligned with the principal owners' interests. This is expected to be the case if they share the same financial goals and incentives. Fiss and Zajac (2004), however, found that infusing shareholder wealth maximization goals into firms in Germany led to short-term acceptance of the wealth maximization goals and then subsequent adoption of additional, non-wealth maximization-related goals. A generalization of this phenomenon might lead agency theorists to consider interest alignment mechanisms beyond the traditional wealth maximization mechanisms primarily prescribed by normative agency theory.

The agency theory assumption that the BOD is the most appropriate owner principal delegate is interesting to consider. Agency theory generally states that the agency costs associated with managerial conflicts of interest are held in check by the BOD. The BOD, however, is only a delegate group of the stock owner corporate principals as a whole. For most publicly held and traded corporations, the amount of share ownership held by the BOD represents only a fractional proportion of all shares outstanding. It is worth considering that, as a group, the BOD may experience just as much conflict of interest as do the managers they are to hold in check. To mitigate this possibility, agency theory generally advocates that BODs have a large proportion of outside, independent members. But, as Westphal points out, the active role in board member nomination that is often played by CEOs can "render boards passive" and submissive to the power of the CEO (1999).

Inside board members are those who are currently, or were previously, employed by the organization (Pfeffer, 1972). In contrast, outside directors are not corporate insiders. Additionally, independent directors are those outside directors that are not tied to the corporation through some contractual business arrangement or inter-firm board interlock situation. Whereas agency theory generally views outside, independent board members as better to control and monitor managers' decision-making and behavior, we will see later that from a resource dependency perspective, inside directors and outside inter-dependent directors can also play a positive role in the structure of BODs (Westphal, 1999).

The agency theory assumption that management and board actions and interactions are primarily outcomes of economic forces is closely related to the wealth maximization assumption. However, beyond assuming the adequacy of aligning managerial financial incentives with the financial incentives of owner principals, as does the wealth maximization assumption, this assumption also often ignores the social and political aspects of manager and board member relations. Westphal (1999) has shown, however, that board member and CEO friendly relationships often play an important role in non-control and monitoring functions of the BOD without sacrificing the functions of controlling and monitoring. Specifically, Westphal (1999) found that the collaborative advice and counsel function of the BOD is increased with increased CEO and board member friendships, while the controlling and monitoring activities of the same relatively friendly boards are no less than in less friendly boards. They also found that firm performance was not diminished for corporations with boards with high levels of CEO board member friendships when compared with those with lower levels of CEO board member friendships. For the most part, agency theory largely ignores these social aspects of BODs.

It would be expected, at least in the short-term, in the face of government regulations requiring organizational change, such as the Sarbanes-Oxley act of 2002, that making moves toward compliance with regulations is the best approach to protect shareholder wealth. If the organization were to refuse to comply or was slow in complying with the regulation, the government could impose costly financial fines on the organization. Once the BOD has made movements toward compliance, or enacted full compliance, they may then be expected to assess whether compliance makes long-term financial sense for the corporation. If the BOD decides that full and actual compliance is not in the long-term best financial interest of the organization, then the BOD might be expected to act in one of the following ways: 1) continue with surface level compliance but decouple every day administration from compliance (Meyer & Rowan, 1977), 2) continue with compliance but take actions in an attempt to change the new regulations (Child. 1972), or 3) retreat from compliance with a willingness to take the smaller financial risks associated with noncompliance. Traditional agency theory alone, with its emphasis on economic processes and shareholder wealth maximization, would not predict in this case that the BOD would choose to passively continue in compliance if the long term economic effect on the organization could be foreseen as negative. Additionally, structural changes in the BOD would not necessarily be predicted by traditional agency theory alone in this case.

THEORETICAL PERSPECTIVE – RESOURCE DEPENDENCY THEORY

The resource dependency view of the BOD dates back to Selznick (1949) and his historical research on the Tennessee Valley Authority. What Selznick found was that when faced with strong opposition, the Tennessee Valley Authority would include members of the opposition on its governing board. This strategy, termed cooptation, was a way to minimize external uncertainty by exercising some level of control over the source of uncertainty. This is an early example of an organization utilizing its BOD as a resource procuring body that can be used to gain an advantage within its environment.

We have reviewed much of the literature pertaining to agency theory and resource dependency theory. We have proposed some BOD actions and structural changes in the face of radical governmental regulations that might affect the Board, and what these two theories might predict in the case of these changes. We now turn to a brief examination of four historical events in which governmental regulations required radical changes to be made by BODs. For the sample historical event -- the Sarbanes-Oxley Act of 2002 -- we will describe the pertinent regulation(s), responses made by BODs, and then discuss how these responses adhere to or stray from the predictions made by agency theory and resource dependency theory.

SARBANES-OXLEY ACT OF 2002, CHANGE, & BOARDS OF DIRECTORS

The Sarbanes-Oxley Act of 2002 (SOX) was passed in the wake of a series of corporate scandals of the late 1990s and early 2000s including those at Enron, Tyco International, and WorldCom. Due to these corporate scandals and the proliferation of corporate bankruptcies and financial restatements by publicly held and traded United States corporations, Senators Paul Sarbanes (D-Md.) and Michael Oxley (R-Ohio) led a campaign for legislative reform of corporate governance. The ensuing legislation came to be known as SOX. The two most daunting requirements of SOX are found in Sections 302 and 404. In short, Section 302 requires independent auditors to certify financial statements, while Section 404 requires executive management to report annually on the effectiveness of internal controls. Because the act authorizes heavy fines and imprisonment of executive officers for noncompliance, publicly held and traded U.S. firms have taken the act very seriously, and compliance has not been easy. "The first full year of compliance was one of hand-wringing and pulling one's hair out as a result of unclear and sometimes conflicting requirements (Zabrosky, 2005)." Compliance with SOX has proven to be costly. Estimated total compliance costs for all of U.S. firms during 2005 range from $6.1 billion (Bulkeley & Forelle, 2005) to $15.5 billion (Hoffman, 2005).

CONCLUSION

We have looked at various predictions that agency theory and resource dependency theory would make regarding the structure and actions of BODs during times of government regulated change. We have also looked at four historical events of government mandated change and the recognized structural changes and actions made by BODs at the time. The predictions of both agency theory and resource dependency theory have been largely supported by the historical actions of BODs reviewed herein.

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MISSION "TRUST"

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ABSTRACT

For many well-known companies, years 2008-2009 stand out for wrong reasons. Only other period that may be comparable are the prominent graft cases involving senior managers of many companies during the dot-com years of early 2000's. During 2008, prominent financial firms like Bear Stearns and Merrill Lynch were forced to sell, while Lehman Brothers went bankrupt. In addition, other venerable firms like Citigroup and AIG found themselves on the brink of bankruptcy. Later in 2009, firms such as Toyota and BP found themselves in serious publicity and structural problems. The problems that engulfed these corporations were different from Enron, Tyco, Adelphia, WorldCom, and HealthSouth Corporation of early 2000s but the results were almost identical. Mainly, these organizations passed through severe crises from which some survived and others did not. The common denominator in all these crises was widespread perception by the stakeholders of mistrust in senior managers of these organizations.

Mission and Vision statements provide identity and roadmap of future for a corporation. This paper analyzes whether Mission Statements (which include the Vision, Values, Principles, Credo of a corporation) can be redrafted such that during times of crisis, it can be used as roadmap for successfully navigating the troubled waters faced by senior managers.

This paper will analyze the problems faced by organizations due to lack of truthful communication with their stakeholders (mainly shareholders, media, and consumers), and provide some guidelines to redraft Mission Statements so that it becomes a guidance document during times of severe crisis.

SIGNALING THEORY: PAST, PRESENT, AND FUTURE

Ray Karasek, III, Christian Brothers University
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ABSTRACT

Signaling is all around us in our everyday lives. People signal by the way they carry themselves, speak, and interact. Organizations signal as well in their advertisements, recruiting, and annual reports, just to name a few. In this article we consider the influence of Spence's (1973) seminal article on signaling theory. We trace signaling theory's impact on management, psychology, and anthropology. We propose a model of the relationship among information, signaling, and perceptions. Finally, we suggest areas of further research in signaling theory based on where it has been, where it is today, and our proposed model.

INTRODUCTION

Signaling is all around us in our everyday lives. People signal by the way they carry themselves, speak, and interact. Organizations signal as well in their advertisements, recruiting, and annual reports, just to name a few. In this article we consider the influence of Spence's (1973) seminal article on signaling theory. We trace signaling theory's impact on management, psychology, and anthropology. We propose a model of the relationship among information, signaling, and perceptions. Finally, we suggest areas of further research in signaling theory based on where it has been, where it is today, and our proposed model.

SIGNALING THEORY: PAST

Spence (1973) describes the hiring process as an investment and likens it to playing the Lottery. He goes on to say that the wage is the marginal contribution that an employer will pay for representation in this Lottery. But just as the final number is picked in a Lottery you do not know until that happens if you made the correct investment or not. These unknowns are better explained by observable personal attributes described as Signals. But as Spence (1973) states not all attributes are fixed (Indices), some are alterable (Signals). Indices are defined as unalterable pieces of data that include sex, gender, race, and other unalterable attributes. Signals and indices are regarded as parameters in shifting conditional probability distributions that define an employer's beliefs (Spence, 1973).

However, equilibrium is reached when the signals portrayed by an applicant are received by an employer. An equilibrium can be thought of as a set of employer beliefs that generate offered wage schedules, applicant signaling decisions, hiring, and ultimately new market data over time that are consistent with the initial beliefs (Spence, 1973). This may not happen for many hiring and interviewing rounds, but could be likened to the hiring of junior accountants every spring from college, with special attention paid to their education. Each year, hiring through interviewing takes place, and equilibrium begins to crystallize based upon this year's new hires versus last year's results. These signals need to be negatively correlated but, as Spence stated, effective signaling depends not only upon the negative correlation of costs and productivities, but also upon there being a "sufficient" number of signals within the appropriate cost range (Spence, 1973). But, as mentioned before regarding the cost of college, if the "Signal" is too productive relative to the costs, everyone will invest heavily in the signal, and it may cease to have a signaling function (Spence, 1973). Signals, though, are not the only indicator; there are also Indices referred to previously.

Spence (1973) makes some exciting points regarding signals and their relation to wages from an employer. The fact that Spence refers to the disadvantaged group as endogenous to the model is troubling in today's society. Future research could focus on the feedback loop and its effect on governmental programs such as intercity education programs to help free misfortunate people from their feedback loop. In the remainder of this article, we will explain the importance of this negatively correlated relationship between the cost and productivity of signals as they relate to the management, I/O psych, and non-business literature over the last 30 years.

SIGNALING THEORY: PRESENT

The area of management takes the signaling ideas and grows them into many broader areas of research. Rosenbaum (1979) took the signaling theory as an explanation of the tournament pattern of mobility. He described the importance of his work this way: to describe the patterns of moves of an employee cohort, by testing particular relationships suggested by the tournament model. The aim is descriptive analysis, not causal inference. These analyses do not seek to assert that early career paths cause later career mobility. Rather, they seek to ascertain whether early career paths are related to later career mobility (Rosenbaum, 1979). He goes on to say that if such a relationship were discovered it would identify highly visible social signaling as Spence (1974) speaks about it in his publication seminal work.

Signaling theory has become important in the recruiting literature. As Spence (1973) mentioned, a signal is only as good as it enables signalers to set themselves apart from the rest. The Chapman, et. al (2005) article covers outcomes, predictors and moderators. The moderators are synonymous with what Spence referred to as indices and the predictors correspond with the true signals to the recruits. As indices are unalterable it is important to concentrate on the predictors examined by Chapman, et al. These predictors or signals to the recruit are: job and organizational characteristics, recruiter characteristics, perceptions of the recruitment process, perceived fit, perceived alternatives, and hiring expectancies.

Job and organizational characteristics can be many. Job characteristics described in Morris and Venkatesh (2010) are skill variety, task identity, and autonomy. Organizational characteristics described in Turban and Keon (1993) are reward structure, centralization, size, and geographical dispersion. These characteristics can signal to a recruit much information about the company. Skill variety may tell a recruit that this job will offer a wide range of knowledge and, coupled with autonomy, may signal that the recruit is free and able to learn as much as possible in the position. With the organizational characteristics of a strong reward structure and large size, this may signal that there is room for movement and rewards for a job well done.

Recruiter characteristics can be perceptual or behavioral in nature, though behaviors have not been explicitly linked to actual job choice decisions (Rynes, 1989). What signals, then, might draw recruits to a particular organization or job choice? A signal in this case could be the demographics, personality, or even appearance of the recruiter. However, Rynes et al (1991) found that the most predominant signaling characteristics were not physical but how the recruiter represented the company from an employee standpoint. For example, if the recruiter seemed inefficient then the organization would be seen as inefficient as well. Along with recruiter characteristics there are the recruitment processes and the perceived “fit”. To understand these signals we must look to the elaboration likelihood model. This model helps explain that recruits process information in a “core” rather than “peripheral” fashion (Harris, 1989; Powell, 1991). When this happens the signals that they have processed set in when the organization least desires it (Ryens et al, 1990).

The final signals that will be discussed are the perceived alternatives and hiring expectancies. These might be, for example, alternatives as other jobs within the organization or the expectancies of freedom believed available as a member of the organization.

Ehrhart and Ziegert (2005) also use signaling theory in describing recruitment processes. They discuss a variety of theories that are conceptually linked to attraction, with an emphasis on the more widely cited and supported theories. These theories are then broken down into three categories of meta-theories. These three categories are environment processing (individual), interactionist processing (fit), and self-processing meta-theories (personal characteristics). Of importance here is the final metatheory of self-processing. This is because it draws on social psychology and involves attitudes and views related to a person’s characteristics, which is relevant in explaining the relationship between subjective fit and attraction of the signal. The theories that compose this group are social learning theory, consistency theory, and social identity theory.

Social learning theory suggests that vicarious learning influences behavior through its influence on the observer's outcome expectancies (Bandura, 1986; Manz & Sims, 1981; Trevino & Youngblood, 1990). In the definition provided, the vicarious learning could be unethical recruitment practices, implying that these are learned through the company.

The second theory is consistency theory. This theory states that self-esteem is an important variable in vocational choice (Korman 1976; Saks & Ashford, 1997). Saks & Ashford (1997) tie this theory to self esteem and state thatthose with high levels of self-esteem think of themselves as “need-satisfying” individuals, and those low in self-esteem think of themselves as “norm-satisfying” individuals. This would imply that signals given by recruiters are more noticed by high self-esteem individuals. This would allow the signal to have the negative relationship needed to have the most effect in the recruiting arena.

The final recruiting theory with its roots in signaling theory is social identity theory. This theory states that when an organization is viewed in a positive light, this reflects favorably on the individuals within it, who receive positive outcomes such as approval from others (Barber, 1998; Ehrhart & Ziegert, 2005). Turban and Greening (1997) demonstrated this when they hypothesized that firms engaging in socially responsible actions have positive reputations and are perceived as attractive employers by job applicants, thus giving these employers a competitive advantage. This was supported by their study and demonstrates the need for good signals at a time when corporate success is tied to a high quality work force.

Marcus and Goodman (1991) used signaling theory to describe two types of signals in a crisis type situation within a publicly held company. These crisis situations were accidents, scandals and product safety. The two signals that ameliorated these crises were accommodative and defensive. Accommodative signals can serve shareholders' interests after scandals, but defensive signals can serve interests such as these following accidents (Marcus & Goldman, 1991).

Dealing with a crisis and employment mobility are not the only directions in which signaling theory has expanded in the business management realm. Certo (2003) speaks of the financial implications of signaling theory on an IPO. Ross (1977) has contended that firms retain debt in an effort to signal quality and Bhattacharrya (1979) has argued that firms attempt to signal quality by issuing dividends. IPOs managers send signals to investors to indicate firm quality and understand that a Low-quality firm attempting to imitate a signal will ultimately suffer bankruptcy (Certo, 2003).

The discipline of psychology has many models but, as William Bolding (1993) illustrated in his article regarding consumer behavior, signaling theory provides great enhancement when used with a psychological model. Bolding illustrated that offering a warranty is a way to signal to the customer that your product is superior when asymmetric information is present and again separates the stronger company from the weak company that is unable to model the stronger company.

Signaling theory is not just for the consumer from the industrial / organizational psychology view. Firms may also signal to current and future employees. McNall (2010) suggests, observable personnel actions by the organization (e.g., having flexible, family-friendly policies) may be interpreted as a signal of more unobservable characteristics such as care and concern for employees on behalf of the organization. This is another example of asymmetric information and negatively related variables that are signaled to the future employee.

CONCLUSION

In conclusion, we will now point out strengths and weaknesses that we have observed while reviewing the research. Then we will show some missing links in the signaling research. Throughout these points, future research ideas will be mentioned.

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CUSTOMER SERVICE RUSSIAN STYLE

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ABSTRACT

Russia is home to about 141.9 million citizens that come from more than 100 ethnic groups. The Russian labor force has about 76 million workers and is undergoing major changes. Russians are very skilled and educated but they can't keep up with the changing needs in the economy. In 2008 there were many labor shortages, particularly in high skilled positions. Unemployment is now at about 8 percent and is highest among women and young citizens. After the collapse of the Soviet Union, the standard of living fell dramatically. In Russia, the middle class takes up about one fourth of the population ("Background Note: Russia" 2010). Quality customer service is a great competitive advantage for businesses. This definitely plays a big role in Russian businesses. There have been many changes in customer service in the past decade in Russia. Organizations have a different mentality of how they treat customers. People in Russia used to want to defend themselves every time a customer would complain or be unsatisfied with a service or product. Now, businesses don't feel the need to defend themselves as much as they used to and this is a great advantage to the millions of customers. Russian businesses and organizations are now trying to serve customers rather than defend themselves (Jones, 2001, p. 382).

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KNOWLEDGE IS POWER? AN INQUIRY INTO KNOWLEDGE MANAGEMENT, ITS EFFECTS ON INDIVIDUAL CREATIVITY, AND THE MODERATING ROLE OF AN ENTREPRENEURIAL MINDSET

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ABSTRACT

Knowledge, by itself, is worthless. It is the strategic use of this knowledge, coupled with a sense of entrepreneurship that enables individuals, teams, and organizations to hone their creativity, so that they can meet and even surpass their goals. This article will investigate the relationship between knowledge management (KM) and individual creativity, as well as the moderating effect of an entrepreneurial mindset (EM). Knowledge management processes (knowledge creation, knowledge storage/retrieval, knowledge transfer, and knowledge application) will be examined, and propositions will be provided concerning the influence of these processes on individual creativity, and the interaction between these processes and an entrepreneurial mindset that affects individual creativity. A conceptual model, suggested methodology, implications, and suggestions for future inquiry will also be presented.

Keywords: knowledge management, creativity, entrepreneurial mindset, entrepreneurial spirit

OUT OF THE LEADERSHIP THEORY JUNGLE: A PROPOSED META-MODEL OF STRATEGIC LEADERSHIP

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ABSTRACT

Similar to the "management theory jungle" described some fifty years ago in the management literature, leadership theory is entwined in a plethora of varying theories and approaches today that all claim to explain the construct creating a modern day leadership theory jungle. This paper reviews the historical evolution of the various leadership theories and links them with the organizational effectiveness construct, whose evolution is briefly reviewed, to develop a Meta-Model of Strategic Leadership that links leadership effectiveness and organizational effectiveness in a new paradigm of strategic leadership as a path out of the leadership theory jungle.

INTRODUCTION

By the early 1960's a number of competing perspectives, approaches, concepts, and theories of the management construct were described in Koonz's (1961) classic article as a "management theory jungle". This article led to wide debate in scholarly circles about how these varying views might be aligned to clearly define the management construct. A national conference was held on this topic (Wren, 2008) and a number of subsequent scholarly publications (Koontz, 1962; 1964; 1980) offered new paradigms for reconciling these approaches. Ultimately, the management process school (i.e., planning, organizing, leading, controlling) gained ascendancy as a framework for defining the management construct for the purposes of leading texts (Daft, 2008a; Robbins & Coulter, 2008; Schermerhorn, 2007) and other approaches (i.e., bureaucratic theory, scientific management, administrative principles, human relations, quantitative approaches, contingency theory, and so forth) were aligned to reflect an evolutionary unfolding where each approach aligned with one or more stages of the process model. Thus, through a process of scholarship and debate a consensual paradigm (Kuhn, 1962) of the management construct evolved.

Analogous to the state of management theory fifty years ago, leadership theory is entwined in a similar jungle today. A plethora of perspectives, approaches, concepts, and theories have been advanced over the last 100-plus years that all seek to explain, in whole or in part, the leadership construct (Bass, 1990). In widely adopted organizational behavior (Robbins, 2005; Kinicki & Kreitner, 2008): McShane & Von Glinow, 2005) and leadership textbooks

(Bratton, Grint & Nelson, 2005; Daft, 2008b; Dubrin, 2007; Northouse, 2009; Yukl, 2010) these theories are usually grouped into various categories or schools based on some common characteristics and more or less reviewed in chronological order of their evolution. Likewise, all of these theories generally seek to explain the leadership effectiveness construct. No overall paradigm has been found in the scholarly literature that explicitly aligns these theories into a model that links leadership effectiveness and organizational effectiveness. This paper seeks to address this void in the theoretical literature using strategic leadership as a conceptual framework.

The purpose of this paper is to advance a model of strategic leadership that reconciles major leadership theories with the organizational effectiveness construct to provide a path out of the leadership theory jungle through a new paradigm. The approach in the following sections is to first review the evolution of the dominant leadership theories as captured in widely adopted texts. Second, leading approaches to understanding organizational effectiveness are briefly reviewed. Next, a meta-model of strategic leadership is then developed that reconciles and aligns the leadership theories and the organizational effectiveness construct via the concept of strategic leadership. The final section provides conclusions and recommendations.

LEADERSHIP THEORIES LITERATURE REVIEW

Reviews of the leadership literature usually begin with development of a definition of leadership. Commonly, detailed comparisons of such definitions are provided, comparing and contrasting these definitions to arrive at a synthesis reflecting the author’s particular perspective on leadership (Bass, 1990; Dubrin, 2007; Northouse, 2009; Yukl, 2010). For purposes of this review, the definition of leadership that will be used is: (a) a process of reciprocal influence; (b) between the leader and the follower(s); (c) to accomplish shared purposes; (d) to bring about consequential organizationally relevant change (Daft, 2008b).

To advance a model of strategic leadership that reconciles major leadership theories with the organizational effectiveness construct and provide a path out of the leadership theory jungle, major leadership theories, typically addressed in widely adopted organizational behavior and leadership textbooks, are reviewed. While historical literature on the evolution of these theories is referenced and used to a limited extent, textbook expositions are primarily used in order to capture the current consensus on dominant leadership theories. These theories are reviewed chronologically in terms of their evolution in the literature in the following major categories: trait theories, behavioral theories, contingency theories, transactional theories, and contemporary (transformational) theories. The goal of this review is to identify the important elements of the leadership effectiveness construct and linkages to organizational effectiveness.

A synthesis of the leadership theories reviewed in the full paper indicates at least three elements that are essential to the construct of leadership effectiveness: task focus, people focus, and development focus.

Task focus involves those processes that are focused on the accomplishment of the basic purpose of the group (e.g., goals, objectives, results). Leadership inputs that are task focused include: clarification of group goals; definition of the group's situation and, consequently, the social reality for the group; organization of group efforts; mobilization of resources; control and feedback on group task performance; and so forth. Task competence is the most important requirement of the leadership role (Hollander, 1978). Leadership must facilitate task accomplishment or the group cannot survive because accomplishment is the basis for justifying continued resource inputs.

The second element that is important to leadership effectiveness is people or relationship focus. Leaders must maintain the group as a cohesive and functioning social unit as a precondition for task performance. Leadership inputs that are people focused include: consideration; participative decision-making; concern for followers' needs; matching personal and group needs; fairness; respect; trust; equitable rewards; and so forth.

The third key element in leadership effectiveness is development focus. Hollander has pointed out that, "the routine of groups, organizations, an institutions is punctuated by the periodic need to establish new patterns which take account of altered conditions" (1978, p. 135). The leader must maintain the group's flexibility for adaptation, otherwise the group loses the capacity for taking innovative action and the organization suffers (Hollander, 1978).

The important elements in leadership effectiveness have been synthesized from the available literature. Their relationship to the construct has been discussed. However, leadership effectiveness to be realized requires an understanding of organizational effectiveness.

ORGANIZATIONAL EFFECTIVENESS LITERATURE REVIEW

Organizational effectiveness is seen as the primary means of linking leadership theories to the strategic leadership construct. The Meta-Model of Strategic Leadership reviewed in the next section argues that leadership effectiveness needs to be defined in terms of organizational effectiveness to be considered strategic. Organizations via their leaders make strategic choices as to the strategies they adopt to enhance their competitive advantage (Child, 1992; 1997). From a strategic management standpoint, organizational effectiveness is the degree to which the composite of outputs an organization produces aligns with the demands of its environment in order to achieve competitive advantage and strategic leadership is a primary determinant of this set of outputs. Indentifying these outputs and the process by which they contribute to effectiveness is key to understanding the organizational effectiveness construct. Three approaches to understanding the organizational effectiveness construct are reviewed in the full paper: univariate, multivariate, and process approches.

Three broad areas of correspondence between the univariate, multivariate, and process approaches were identified. First, all models specify either end- state results or processes focusing on the accomplishment of organizational purposes articulated as goals or tasks. It is recognized that this activity takes place in a resource constrained environment. Thus, the concept of optimization (i.e., minimizing resource input per unit of output) is integral to this first major element of effectiveness. Steers' (1977) term "goal optimization" captures this element because it connotes both aspects of the concept. The second area of consensus among the models focuses on end-states or processes that emphasize the human-interpersonal aspects of the organization. The thrust of all of these indicators is the maintenance of a social/interpersonal equilibrium within the organization to link it together and keep it supportive of the focus on goal optimization. Mott's terminology (1972) of social equilibrium processes seems to most appropriately capture this element. The third area of correspondence in the approaches is organizational adaptation. This requires flexibility in what the organization does, how it does it, and who does it. Yet, adaptation should not be construed as solely reaction on the part of the organization. It also implies innovation as proactive ventures that seek to capitalize on opportunities or otherwise influence a response to the environment to the organization's advantage. Innovative adaptation seems to best capture this element of effectiveness construct.

DEVELOPMENT OF META-MODEL OF STRATEGIC LEADERSHIP

This section discusses a Meta-Model of Strategic Leadership that is proposed to explain linkages between leadership theories focused on the leadership effectiveness construct and the organizational effectiveness construct foundational strategic leadership. The term “meta-model” of strategic leadership is used because this framework draws on the “many” theories of leadership that have been reviewed and seeks to incorporate them into an overall paradigm that aligns their relationship to each other and to the leadership effectiveness and organizational effectiveness constructs in order to provide a path out of the leadership theory jungle via the concept of strategic leadership. Each component of the model is discussed.

In the Meta-Model, leaders actuate the process of strategic leadership. The earliest leadership theory, dominant from the late nineteenth to the mid-twentieth century, focused on differing categories of traits or characteristics possessed by leaders. Some composite of physical, demographic, social, economic, psychological, qualities, skills, and/or other traits unique to each leader were viewed as differentiating leaders from non-leaders, and effective from ineffective leaders as this line of research developed. It was the possession of some unique composite of these traits that was believed causal in emergence and performance of leaders. However, trait research over many decades was unable to identify any universally applicable composite consistently associated with leadership effectiveness. However, these traits do serve as antecedents of leader behavior.

By the late 1940’s, dissatisfaction with trait theory in terms of adequately explaining and predicting leader effectiveness, led to a paradigm shift that focused more directly on what leaders did to actuate results and on the importance of situational factors. These studies focused on leader behavior as the casual agent in influencing followers, but did not explicitly reject a reciprocal relationship. The behavioral theories substantially improved explanation and prediction of leadership emergence and outcomes, but further confirmed suspicion that situational elements were not adequately captured in these theories, particularly as regards the composite of leader behaviors that would be most effective in particular situations.

Scholarly consensus coalesced around the need to explicitly incorporate situational factors into leadership theory. In all of the contingency theories, the contingency variables in a particular situation serve as moderators of the composite of leader behaviors to increase leader effectiveness in a particular situation. Thus, in the Meta-Model, the contingency theories represent the composite of leader behaviors that are expressed to influence follower behaviors.

In the Meta-Model, leader behaviors influence follower behaviors which result in a composite of follower outputs that produce a composite of organizational outputs that are needed to align with environmental demands. The particular behaviors that a leader chooses to emphasize (i.e., task, relationship, developmental) sends signals to the followers of the composite of outputs the leader desires for them to produce.

Production of a composite of organizational outputs is seen in the Meta-Model as the motive force that ultimately actuates leader behavior and thus follower behavior/outputs and performance outputs. The mix of these organizational outputs is seen in the model as being determined by the leader's cognitive assessment of external environmental demands for organizational performance moderated by the organization's internal capabilities in accord with the design school approach to strategic management (Mintzberg, Ahlstrand & Lampel, 2005).

The contemporary theories of leadership primarily deal with organizationally relevant change that is the focus of strategic management. These theories extend transactional theories beyond focus on the leader-member exchange process to incorporate change of the follower and thereby change of the organization. The contemporary theories specifically focused on eliciting the composite of follower behaviors/outputs that will produce the composite of organizational outputs consistent with the leader's vision that has now been internalized by the followers. In this view, the contemporary theories can essentially be seen as a moderator of organizational performance and thus organizational effectiveness.

In the Meta-Model, organizational effectiveness is seen as the ultimate measure of leader effectiveness. Effective leaders are those who are able to assess a diverse set of dynamic environmental forces to identify performance demands on the organization in terms of specific outputs the organization has to produce to optimally align with its environment. Likewise, the environment, as read by leaders, serves as a contingency variable to guide creation of the composite of behaviors needed to drive organizational change. In essence, the challenge of leadership is to envision how to change the organization to achieve the set of organizational results that best fits with environmental demands while maintaining the organization as a functioning social system. Leaders then have to enact a composite of behaviors that influences followers to enact behaviors that produce follower performance outputs that collectively represent the desired composite of organizational outputs. Thus, leader effectiveness is ultimately determined by organizational effectiveness, which is to say, how well did the leader anticipate the composite of organizational outputs needed to meet environmental demands, and how well did the leader's composite of behaviors actuate the composite of follower behaviors to produce the composite of organizational outputs envisioned by the leader. The dynamic cognitive and behavioral complexity of this casual chain of mediators and moderators depicted in the Meta-Model suggests the reason for the difficulty in attaining and maintaining leadership effectiveness.

CONCLUSION

The purpose of this paper was to advance a model of strategic leadership that reconciles major theories of leadership with the organizational effectiveness construct to provide a path out of the leadership theory jungle. As social institutions, organizations are by definition composed of people involved in dynamic social relationships. It is through these relationships between leaders and followers, superiors and subordinates, managers and workers, that the work and thus fundamental purposes of organizations are accomplished. The effectiveness of these relationships undoubtedly influences the effectiveness of organizations. Yet, the effectiveness of these relationships depends in large part on the effectiveness of the behavioral inputs supplied by the participants in these relationships relative to organizational goals. Thus, leader effectiveness must be an input to and determinant of organizational effectiveness and likewise leadership effectiveness is a function of organizational effectiveness.

References are available on request

KNOWLEDGE TRANSFER AND EXPATRIATION

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ABSTRACT

The worth of knowledge is difficult to measure, but is exceedingly crucial for organizations to survive and prosper. In the current paper we examine research on knowledge transfer on among expatriates. We examine the impacts on human capital and organizational value and make suggestions for future research.

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KNOWLEDGE MANAGEMENT STRATEGIES IN AN OPEN INNOVATION ENVIRONMENT

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ABSTRACT

In an open innovation environment, biotechnology firms adopt exploration and exploitation strategies to acquire the knowledge needed to develop and commercialize new therapies. Yet, scant attention has been paid to how these firms manage the knowledge they acquire. To do so, this paper creates a knowledge management framework by integrating knowledge management and open innovation strategies. Highlighting the social nature of knowledge, the framework depicts how the presence or absence of trust with a partner influences whether biotechnology managers seek to promote or prevent knowledge flows.

Keywords: Biotechnology, Knowledge Management, Open Innovation, Trust

INTRODUCTION

The biotechnology industry consists of many small and new firms that lack the broad array of interdisciplinary skills needed to develop and create new therapies using only their internal efforts. Biotechnology firms have addressed this lack of knowledge by embracing open innovation: the use of purposive inflows and outflows of knowledge to accelerate internal innovation and expand the markets for external use of innovation (Chesbrough, 2006). The general premise underlying open innovation is that firms are limited in their individual ability to create products in a rapidly changing knowledge environment. To address this challenge, firms participate in a collaborative innovation process where knowledge is created, transferred across a network of nonprofit and for-profit organizations. Each firm in the network plays an important and specific role in new product development. For example, biotechnology firms' license inventions created by universities, develop them, and then license a developed product to large pharmaceutical firms for commercialization (Stuart, Ozdemer, & Ding, 2007).

In an open innovation environment, biotechnology firms' open innovation strategies for acquiring knowledge occur across a continuum that ranges from exploration to exploitation. An exploration strategy focuses on developing partnerships that enable a biotechnology firm to acquire externally generated knowledge and technologies (van de Vrande et al., 2009). An exploitation strategy involves establishing partnerships that allow a biotechnology firm to leverage its partners' existing competencies, technologies, or routines (March, 1991). From biotechnology firms' perspective, patents or a product prototype may emerge from exploration activities, whereas new product commercialization is the outcome of exploitation alliances (Rothaermel & Deeds, 2004). Although existing literature expands our understanding of biotechnology firms' participation in open innovation, how biotechnology firms manage the knowledge they acquire from various collaboration partners has been underexplored.

The purpose of this paper is to present a framework that depicts the knowledge management strategies (KMS) that may emerge in an open innovation environment. To create this framework, this discussion integrates knowledge management and open innovation strategies. Knowledge management is a process of identifying, capturing, and leveraging the collective knowledge in an organization to help it compete (von Krough, 1998). Schultz and Jobe (2001) developed a knowledge management framework that depicts how firms foster or impede the flows of tacit or codified knowledge to their collaboration partners. A tacitness KMS involves limiting the codification of organizational tacit knowledge to prevent partners from acquiring it. A codification KMS promotes transforming organizational tacit knowledge into a common language to promote transfer.

This discussion extends Schultz and Jobe's (2001) KMS framework by proposing that trust between a biotechnology firm and its partner influences whether a codification or tacitness KMS is enacted. Trust is essential to collaborations (Ring & Van de Ven, 1994) due to the embeddedness of tacit knowledge: knowledge that "indwells" in a comprehensive cognizance of the human mind and body (Polanyi, 1966). Since tacit knowledge is held in the mind, it lacks mobility due to its deeply entrenched nature (Szulanski, 1996). Trust emerges through social interactions as partners demonstrate their competencies (Ring & Van de Ven, 1994), which reduces feelings of vulnerability and promotes knowledge sharing and transfer (Mowery, Oxley, & Silverman, 2002). Kachra and White's (2008) study of R&D knowledge sharing found that the existence of a social relationship between scientists increased the flow of knowledge between them. Thus, the existence of trust may influence whether biotechnology managers decide to impede or support knowledge flows to their collaborations.

The motivation for this discussion is to explore knowledge management in biotechnology firms. Hagedoorn (1993) suggested that biotechnology firms have the highest rate of alliance participation among R&D intensive firms. Yet scant attention has been paid to managing knowledge in the biotechnology industry. This discussion is significant because biotechnology firms rely heavily on external sources of knowledge; thus, it is conceivable that managing knowledge, along with a confluence of other factors, may influence their survival and growth.

LITERATURE REVIEW

Knowledge is essential to a firm's ability to create value and develop a competitive advantage. As a social construct (Nonaka, 1994), knowledge emerges from interactions, with ease of duplication depending on specific knowledge characteristics—that is, whether knowledge is tacit or explicit. Tacit knowledge resides in the minds of individuals; it is sticky or resides close to its original location and is difficult to replicate or transfer (Szulanski, 1996). Codified or explicit knowledge is revealed by its communication (Grant, 1996). Furthermore, knowledge is ambiguous, with individuals and whole firms sometimes claiming that they cannot articulate "what they know" or "why they know." This ambiguity makes it difficult to create, replicate, and transfer knowledge. Given these challenges, a KMS must consist of more than simply managing abstract artifacts. Instead, managers must transform their focus from “what is known” to “how it is known” (Stroud, 1996). This managerial shift highlights the social nature of knowledge and the interactions needed to transform knowledge held by individuals into a resource that others might use.

Schultz and Jobe (2001) developed a knowledge management framework that depicts subunits of a multinational corporation attempting to manage their knowledge flows to other subsidiaries by controlling codification. In an organization, knowledge exists in employees, routines, and computer programs. Codification strategies reflect an organization’s deliberate attempt to take abstract knowledge that is encoded in routines or employees and express it in common terms to facilitate internal as well as external transfer. Tacitness strategies are those activities in which an organization intentionally attempts to prevent organizational knowledge from being expressed in ways that would facilitate its transfer beyond its location of origin. These strategies highlight the notion that some organizational knowledge is more valuable to performance than are other knowledge sources. Reducing the ease of codification impedes competitors’ duplication efforts. However, tacitness strategies prevent internal sharing, thus limiting creative problem solving and promoting organizational silos.

In this brief discussion, a biotechnology firm’s decision to engage in codification or tacitness strategies during partnerships hinges on the degree of organizational trust within the relationship. Trust facilitates the flow of knowledge between partners. Transfer occurs when individuals feel a sense of connection with their colleagues (Bresman, Birkinshaw, & Nobel, 1999) and perceive their partner as trustworthy (Dirks & Ferrin, 2001). This in turn reduces fears and encourages knowledge sharing. Trust facilitates the development of a common language among partners, which promotes an efficient transfer and codification of knowledge (Grant, 1996). Thus, a codification KMS promotes and a tacitness KMS hinders knowledge flows.

Open Innovation Strategies

March’s (1991) organizational learning framework describes how firms search for opportunities to exploit existing capabilities or develop new capabilities. Exploration refers to new knowledge that emerges through discovery, experimentation, and play (Baum, Li, & Usher, 2000). These interactions occur in various alliance vehicles, licensing, sponsored contract research, and consulting agreements with university faculty (Shane, 2002). Rothaermel and Deeds (2004) suggested that early in a firm’s life, exploration alliances are important as biotechnology firms focus on creating a pipeline of potential projects to move into development. Although biotechnology firms can ally with different partners, universities give firms a window on emerging technologies and scientific discoveries (George, Zahra, & Wood, 2002, p. 578).

Exploitation strategies extend knowledge, resulting in predictable positive returns (March, 1991). The primary focus of these alliances is to create synergies between partners by combining their individual capabilities (Koza & Lewin, 1998). Biotechnology firms seek out pharmaceutical firms as partners to exploit their expertise in clinical trials, marketing, and production. An exploitation alliance occurs when a biotechnology firm licenses out its own invention or an acquired invention to a pharmaceutical firm for commercialization.

Biotechnology firms benefit from these partnerships because large pharmaceutical firms typically possess enormous cash reserves and commercialization experience. Yet, biotechnology firms have low bargaining power in associations with pharmaceutical firms because of their lack of resources (Aghion & Tirole, 1994) and may give up the rights to their innovations to gain access to resources. The next section explores knowledge management in an open innovation environment.

Knowledge Management Strategies in an Open Innovation Environment

Before discussing the knowledge management strategies, it is important to draw attention to challenges related with each open innovation strategy. In an exploration strategy, issues arise over who owns the output of sponsored contract research, or a university scientist who is privy to proprietary information about a biotechnology firm's processes or portfolio may share that information with a competing firm. In an exploitation alliance, a large pharmaceutical firm can simply infringe on the patent (Rothaermel & Deeds, 2004). Given these challenges, there may be instances when a codification or tacitness KMS is appropriate.

Figure 1: KMS in an Open Innovation Environment

	Exploration Strategy	Exploitation Strategy
Codification KMS	Trust exists between partners. KMS promotes sharing of knowledge with university partner.	Trust exists between partners. KMS promotes knowledge flows to gain access to downstream capabilities.
Tacitness KMS	No trust exists between partners. KMS monitors and controls social interactions with partners' scientists.	No trust exists. KMS limits knowledge flows through formal contracts and monitoring.

Exploration-Codification KMS occurs when a biotechnology firm is working with a university to create or develop a prototype that may have commercial potential. Many biotechnology firms emerge from an academic setting and have strong ties to their founding institution. In addition, biotechnology founders and scientists may possess social networks with domestic and international scientists. These social relationships are often the precursor to relationships at the organizational level. When previous relationships exist, a biotechnology firm's managers may encourage scientists to share their knowledge to support sponsored research or hasten the development of a university license.

Exploration-Tacitness KMS may be the strategy of choice when no previous relationship or trust exists between the biotechnology firm and its university partner. Many biotechnology firms scan the environment for information by attending conference presentations or reading scientific journals. Using this information, a biotechnology firm can pursue a consulting relationship or sponsor the faculty member's research. Since no previous relationship exists between the biotechnology firm and the university, there is a chance that proprietary information about the biotechnology firm may spill over to competitors via social exchanges with university scientists (Link, Seigel, & Bozeman, 2007). In a new exploratory relationship where trust has not been established among partners, a biotechnology firm's manager may ask university scientists to sign confidentiality agreements.

Exploitation-Codification KMS may be an appropriate strategy when there has been a previous relationship between a large pharmaceutical firm and a biotechnology firm. Although pharmaceutical firms have large cash reserves, their pipeline issues lead them to collaborate with biotechnology firms in order to gain access to their expertise in genetics and molecular DNA. Given a biotechnology firm's expertise, the existence of an exploratory relationship between the two firms is possible. When a previous relationship and trust exists between the biotechnology firm and the pharmaceutical firm, a biotechnology firm's managers may allow its scientists to share their expertise and latent knowledge, knowledge that emerges from intuition (Argawal, 2006), to improve the project's chances of passing clinical trials.

Exploitation-Tacitness KMS may occur when no previous relationship or trust exists between the biotechnology firm and its university partner. Given the rising costs of clinical trials, many U.S. biotechnology firms are initiating clinical trials with foreign partners. In this type of relationship, national culture differences may exist between partners. National culture reflects the deeply held beliefs of a country's people (Hofstede, 1991). Cultural differences may provide occasions for misunderstandings or opportunistic behaviors by the foreign pharmaceutical partner. Although developing trust between partners that possess dissimilar national cultures is difficult, it can be achieved with significant investments of time and attention (Parhke, 1998). During the initial stages of the relationship, a biotechnology firm may use contracts and monitoring to protect its knowledge until cultural barriers are addressed.

CONCLUSION

This article examined four knowledge management strategies that may emerge in an open innovation environment. Specifically, the existence of trust among partners plays a critical role in whether biotechnology managers decide to promote or prohibit knowledge flows. The framework proposed that codification strategies might be selected when trust exists among partners and tacitness strategies may be germane in new collaborations where no trust exists. When developing a KMS, biotechnology managers must guard the firm's proprietary scientific knowledge, which is an important part of the drug development process.

The purpose of this paper was to shed light on biotechnology firms' knowledge management strategies. An assumption made in this discussion is that managers know in advance which strategy they will enact. However, strategies often emerge based on the context. In the future, researchers may seek to examine whether biotechnology managers plan KMSs or do these strategies evolve during the relationship. Since knowledge management in the biotechnology industry has been underexplored, this discussion is an exploratory attempt to promote a scholarly dialogue.

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THE IDEAL PERFORMANCE APPRAISAL IS A FORMAT, NOT A FORM

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ABSTRACT

U.S. organizations use a variety of performance appraisal formats, but an ideal form still eludes us. This article is designed to move closer to an ideal performance appraisal system. Research was conducted to ascertain all problems that are occurring with present performance appraisal systems. A list of 76 performance appraisal problems was reduced to 4 general categories. Performance appraisal systems are improved by rectifying common shortcomings (e.g. reducing biases, training those involved, using formats with research substantiation). However, the most important changes required 1) clarifying the goals of performance appraisal, 2) focusing on both results and behavior appraisals, 3) adding an appraisal category, 4) better timing, and 5) better involving constituencies.

Keywords: Performance appraisal, performance evaluation, employee job performance assessment, performance management

INTRODUCTION

The latest edition of one of the most prominent human resource management textbooks (Dessler, 2011) points out that "every manager needs some way to appraise employees' performance" (p. 306), that performance appraisal (PA) will be done in each case—whether by the supervising manager or others (e.g. peers), and "few things managers do are fraught with more peril than appraising subordinates; performance" (p. 321). The appraisal of employee job performance is one of the most important, most common, and probably the most disliked human resource management activity. Others have echoed these points.

Thomas and Bretz (1994) state that PA, as typically conducted, "has remained a largely unsatisfactory endeavor" for years even though it is a very important HRM area; "both managers and employees tend to approach appraisal feedback sessions with fear and loathing" (p. 28).
Thomas and Bretz state that managers and employees dislike the PA process because neither was involved in developing the forms nor processes, neither's suggestions for changes are solicited nor acted upon, managers don't like to give nor do subordinates like to receive negative messages, negative PA ratings have negative effects on employee careers and perceptions of their managers, and there are no rewards for taking the manager's valuable time to appropriately conduct the PA. Performance appraisal has been said to be "one of six deadly diseases" that keep organizations from performing at their peak (Staff of Employee Recruitment & Retention, 2010).

However, Grote (2010) points out that PA has more influence on individual careers and work lives than any other management process. Performance appraisal can both make a business more efficient and help keep employees motivated. Evaluating people at regular intervals, appraisals help firms show where their employees excel, where they can improve, and how well they have followed the goals set by the firm.

Purpose of the Paper

What would be an ideal performance appraisal (PA)? From the supervisor's perspective, it would probably be an appraisal that would be accurate and helpful in improving the employee's job performance and making administrative decisions (e. g. pay raises) about the employee. From the employee's perspective it would probably be an appraisal that would fully capture all that the employee has contributed in the job to the employer. From society's view it would probably be an appraisal that fairly assesses the employee's performance and is used justly in the employment situation to make the organization more useful to society. The purpose of this paper is to develop an ideal PA—or come as close as possible to a panacea in this area. To accomplish this we need to understand the terminology in the field (define PA), how is PA usually conducted, what are the problem areas encountered in typical performance appraisals, and then propose an ideal PA to meet the concerns. The ideal PA system proposed here will seek to rectify the problem areas and achieve the goals of PA. The ideal PA system is meant to be theoretical but with enough details to make it pragmatically useful now. We start with the general background and the specific definition of PA.

BACKGROUND OF PA

Finding that the typical PA is disliked by both the appraiser and the appraise is not unexpected as it started as a negative procedure. The use of performance appraisals became institutionalized as a way of monitoring organizational output during the Industrial Revolution when bureaucratic organizations proliferated (Fandray, 2001). Use of performance appraisals during this epoch was usually linked to reactivity and punishment for poor performance (Kennedy & Dresser, 2001). In other words, the PA mechanism focused on punishing employees for poor performance as a means for motivating them to achieve higher performance standards. As industrialization continued and bureaucratic organizations proliferated, however, the PA system similarly began to evolve. Kennedy and Dresser (2001) told how "organizations gradually adopted more refined methods for seeking improvement in workplace performance ... eventually championing rewards over punishment, forsaking the stick for the carrot, arguing that performance should not only be appraised but also managed, and devising new and sometimes complex methods to improve performance" (p. 8). Within the last thirty years scholars and professionals alike have vigorously analyzed and critically examined the use and effectiveness of performance appraisals within the organizational context. Unfortunately, however, no consensus exists as to what type of PA system best meets the desired objectives.

Defining PA

Performance Appraisal" (PA) has been synonymous with performance review, performance evaluation, and other terms and combinations of terms. PA has, over time, referred to 1) an instrument or form to assess an employee's job performance, 2) an interview where an employee's job performance is assessed and feedback is given to the employee, 3) a system of setting employee job expectations/employee actual job performance/assessing that performance/feedback to the employee on the performance assessment and how to improve it in the future/setting new goals and expectations for another period, or 4) performance management with job performance appraisal a part of it (Dessler, 2011). More recently a fifth entry has been Integrated Organizational Performance Management with vertical and horizontal loadings and strategic/operating plans and individual goals and metrics as described by McGrath (2010). At the present time, PA typically refers to more of a systems approach as stated in #3 in the preceding. That is the definition of PA that we will use in this study.

WHAT ARE THE PROBLEMS IN DOING PA?

It is much easier to find problems in doing PA than to find solutions or suggestions for improvement. PA systems have been criticized in many areas. It would seem that the present problems could be ascertained by surveying the research and practitioner literature about PA. Such a survey was completed which led to 76 different problems with PA as it is typically conducted. The list of problems seeks to be a representative, comprehensive list of PA problems, not an exhaustive list of all references to those problems (Kondrasuk, 2010).

It is still an overwhelming, confusing list of problems regarding the typical PA system. The 76 problems found in present PA systems (from Table I) can probably be reduced to four categories. The categories are problems with: 1) the purpose of PA, 2) those involved with PA, 3) what is measured and how, and 4) the system and process of PA. The major complaints within each of these areas should provide a clearer understanding of the PA dilemma.

Problems with the Purpose and Goals of PA

It is generally conceded that there are two main purposes of a PA system: 1) Developmental and 2) Administrative (Kondrasuk, Crowell, Dillon, Kilzer, & Teeley, 2008). One stated goal of PA is to learn what the employee is/is not doing as well as possible and help the employee to improve her job performance. This is basically a counseling or guidance role that the evaluator plays in this role. The second goal or purpose is to use the PA results to help make administrative decisions such as if and how much to award in pay increases, what training is necessary or helpful to improve employee performance, and other uses such as test validation criteria. This second goal places the evaluator in the role of judge. Roberts (1998) states that the supervisor needs to achieve both goals. However, trying to achieve both goals can create a conflict in the evaluator and appraisee. It is very difficult for the supervisor to concurrently be a counselor/guide while trying to be a judge at the same time. An evaluatee is likely to be very open and admit shortcomings to a counselor who could help him but NOT be candid to a judge who may cut his pay raise or reduce his promotional opportunities. . . or fire him! Evaluators may feel they are placed in conflicting roles by having to be both a coach and a judge of subordinate performance (Eichel, & Bender, 1984; Grote, 1996).

Another issue with the purpose of performance appraisals is inconsistent evaluator perceptions. Inconsistent perceptions as to the purpose of the performance appraisal can throw the entire performance appraisal system off. If evaluators have different views on the purposes of their specific performance appraisal, the process will be conflicting, as well as what to do with the results. A supervisor who believes that the purpose of the appraisal is to determine which team members need to develop additional skills to better achieve organization goals may conduct the appraisals in a completely different way than a supervisor who believes the purpose of the appraisal is to determine which employees deserve a raise. It gets even more problematic when we add in more participants. For instance, an additional problem in this area occurs when the appraiser and evaluatee both have different, conflicting views of the purpose of the PA.

Problems With Who is Involved In PA

There generally are three categories of people involved in PA: 1) appraisers, 2) evaluatess, and other users. The evaluator can be a variety of individuals or groups of individuals. Traditionally, the evaluatee's direct supervisor evaluates the individual because s/he is in the best position to observe the behavior and evaluate (Kondrasuk, Riley, & Hua, 1999). However other approaches may also be used so that "the evaluator" could be an employee's peer, subordinate, customers or any person the appraisee interacts with. Regardless of who does the evaluation, they need the support of the total organization.

When reading through the research conducted on performance appraisals, a major issue that arose time and time again was the integration of the PA within the organization's daily functions and overarching ideology. Without the full support of integrating the PA process from the top all the way down, the PA has no chance of being implemented successfully. If the organization lacks commitment to the process of performance appraisals, then evaluators do not take the process seriously enough (Roberts, 1998; Eichel, & Bender, 1984; Grote, 1996). When performance appraisals are used as a mechanism of power, domination, or control over underlings, the individual growth and the effectiveness of the PA system deteriorate (Roberts, 1998; Neck, Stewart, & Manz, 1995; Wilson, 1991; Eichel, & Bender, 1984; Grote, 1996).

If those who are involved do not have sufficient skills to conduct PA, the results will be less than ideal. Evaluators are frequently not given the necessary training to perform the PA effectively and consistently (Roberts, 1998; Wilson, 1991; Fletcher, 2001; Vinson, 1996; Neck et al; Gray, 2002; Odiome, 1985; Eichel, & Bender, 1984; Grote, 1996)). One specific example of appraisal ineptitude is seen in the way performer behaviors are vaguely determined or not weighted properly in the process (Fletcher, 2001; Eichel, & Bender, 1984; Grote, 1996). Evaluatees are seldom trained in the PA process or their requirements in it. Also, upper -

management seldom is trained properly in how to use this data for organizational improvement (Roberts, 1998).

Biases

The most common defect in the evaluator's role of effective performance appraisals is supposedly caused by personal bias. Common biases include: Central tendency, leniency, severity, recency effect, primacy/first actions effect, favoritism, halo or horns effect, attributional bias, giving evaluations/ratings to justify prejudged actions (e.g. pay raise), and the Hawthorne Effect. Personal bias is apparent in different ways. Evaluators may simply give satisfactory or unsatisfactory appraisals to individuals who do not deserve them (Roberts, 1998; Gray, 2002; Fletcher, 2001). Favoritism and subjectivity play a major role in these undeserved appraisals (Roberts, 1998; Kane & Kane, 1992; Bernardin, Crooke, & Villanova, 2000; Gray, 2002; Crow, 1996; Eichel, & Bender, 1984; Grote, 1996). When an evaluator appraises someone who they like, they may be more apt to give them a superior evaluation than someone they do not like. Leniency may also play a role in unreliable performance appraisals (Roberts, 1998; Bernardin et al., 2000). Instead of dealing with evaluatees who may be difficult to reprimand, an evaluator may rate them less badly in hopes of avoiding the wrath of the difficult persons. Leadership styles, personality, mood characteristics, and personal disposition can cause fluctuations in the effectiveness of performance appraisals (Neck et al., 1995; Villanova, Bernardin, Dahmus, & Sims, 1993; Fletcher, 2001). An evaluator's propensity to allow personal bias into the process of giving performance appraisals will cause problems in the effectiveness of the system.

Evaluatees' Perceptions

The perceptions and expectations evaluatees have of the PA process may be a significant inhibitor of PA success. Evaluatees often refuse to agree to PA approaches and conclusions because they do not meet their expectations of the process (Blau, 1999; Roberts, 1998; Fletcher, 2001; Eichel, & Bender, 1984; Grote, 1996). When evaluatees do not observe fairness and trust in the process of performance appraisals, they are quick to deny the importance of the system (Wilson, 1991; Roberts, 1998; Blau, 1999; Eichel, & Bender, 1984; Grote, 1996). Furthermore, evaluatees may argue with the evaluation if it does not match the results of past satisfactory performance appraisals (Gray, 2002; Neck et al., 1995). It appears that some evaluatees are often reluctant to take the evaluation process seriously (Vinson, 1996; Kondrasuk et al., 1999). In many instances, PA systems do not provide for effective communication. For example, some evaluatees feel they are given inaccurate information on the performance criteria (Roberts, 1998; Gray, 2002; Crow, 1996; Vison, 1996; Fletcher, 2001). Appraisals are made weighting behaviors evaluatees did not know were essential for satisfactory appraisal (Roberts, 1998; Eichel & Bender, 1984; Grote, 1996). At the conclusion of a performance appraisal, many times evaluatees are <u>not</u> given directions on how to use this feedback to perform future work (Vinson, 1996; Neck et. al., 1995; Fletcher, 2001; Eichel, &

Bender, 1984; Grote, 1996). Additionally, even if instruction is given for performance, evaluatees may express dissatisfaction with the amount and the type of feedback they receive (Roberts, 1998; Eichel & Bender, 1984; Grote, 1996). It appears that many evaluatees feel uncomfortable because they have little or no opportunity to influence the process of performance appraisal (Fletcher, 2001; Wilson, 1991; Eichel & Bender, 1984; Grote, 1996). In order to develop a working PA system, the lack of subordinate support must be addressed (Gray, 2002; Crow, 1996; Kondrasuk et al., 1999; Eichel & Bender, 1984; Grote, 1996).

Problems With What is Measured and How

For performance appraisals to be effective for an organization, employee's individual goals must work to achieve the bigger goals of the organization. Many firms use inappropriate assessments because they do not use the correct tools for designing the system. The two basic considerations in designing the actual appraisal tool are what to measure and how to measure it (Dessler, 2011). What to measure refers to the way in which to measure the employee's performance, such as quantity, quality and timeliness of work. It may also be measured in respect to developing one's competencies or achieving one's goals. In terms of how to measure it, there are various methodologies that are available for implementation (Dessler, 2011).

When designing a PA, one must first answer the question of what should be measured. Assessing employee performance is a very difficult task. While employee performance in some jobs, such as selling shoes in a shoe store, is clearly measurable, assessing performance in many other professions, such as that of a nurse, can be less evident. In general, we can measure traits, behaviors, and results.

There are various techniques to measure an employee's job performance. Evaluators can use graphic rating scales, forced distributions, and ranking (paired comparison, alternation, straight) to measure traits. They can use critical incidents, narratives, BARS, BOS, and electronic monitoring to assess behaviors. They can use MBO to assess results. For instance, Thomas and Bretz (1994) stated that an MBO instrument was by far most common for assessing the job performance of both managers and non-manager exempt personnel. The appraisal instrument for non-exempt employees varied from MBO (31%) to graphic rating scale (32%) to "other" (23%). However, how to choose the instrument for a particular situation and how to score a combination of instruments is problematic.

Problems With the System and Process of PA

As Russell and Russell (2011) recently pointed out about performance management (and applies to PA as a system), it is a process and not a single event—a format and not a form. The process/format area of concern includes all the doubts about the purpose, process, and outcomes of performance appraisals. When reading through the research conducted on performance appraisals, a major issue that arose time and time again was the integration of the PA within the organizations daily functions and overarching ideology. Without the full support of integrating the PA process from the top all the way down, the PA has no chance of being implemented successfully. Some critics maintain that there is a lack of resources provided by the organization to adequately institute the process (Roberts, 1998). Furthermore, the assessments made by management are often not comparable across the organization (Roberts, 1998; Bernardin et. al., 2000; Fletcher, 2001) and do not fit into the pre-existing job descriptions and developmental and administrative systems established by the organization (Eichel, & Bender, 1984; Grote, 1996; Roberts, 1998; Fletcher, 2001). An organization's goals are not always considered when a PA system is designed (Roberts, 1998). Another apparent challenge for PA to be effective is that they are not given enough time to be completed (Roberts, 1998; Kondrasuk et al, 1999). The process may be measuring a person, rather than performance (Kane & Kane, 1992). Or, appraisals may be set to assess jobs that have immeasurable outcomes or abstract natures (Wilson, 1991; Roberts, 1998). Another problem with typical PA systems is that they only seem to accurately and reliably measure extreme performances and do not reliably differentiate middle-range performances (Roberts, 1998; Kane & Kane, 1992). Behaviors may not be weighted properly to give an accurate evaluation of an individual's overall performance (Eichel, & Bender, 1984; Grote, 1996). In sum, many PA systems have low reliability (rating errors), which must be taken into consideration when analyzing them for their efficacy (Roberts, 1998; Kane & Kane, 1992).

Time and Timing of PA

A big issue regarding the PA process that has caused much trouble has been the issue of timing. When does one conduct the PA? Yearly? Half yearly? Performance Appraisals take time. There is not always enough time to allow for a full appraisal of an employee even semi-annually. Most firms schedule their appraisals according to either when an employee was hired or at a set date for all employees such as at the end of the year. Rating employees according to the date they were hired allows managers to allow enough time to pass in order to have a productive appraisal. Opposed to that, rating all employees at the same time, sometimes called the focal point method, allows managers to compare employees to each other more easily and make broad changes in the direction of individuals and the entire firm (Grote, 2002). Ideally the PA would be conducted more often than they are in most businesses. In most cases any meeting between a manager and a subordinate is helpful to the firm and can increase productivity, but the fact of the matter is that managers and employees are busy with their work and end up putting performance appraisals on the back burner so to speak.

Another problem with the PA deals with the decision of when to bring in new objectives. An evaluator may believe that the evaluatee should be given new objectives to further advance their progress or working success, but when and where to introduce these objectives is unclear. Much of what causes the problem here is that the appraisal allows for feedback, but does not distinctly give a time and place to create and set new objectives. Both the evaluator and evaluatee may deem it necessary to be done at different times and in different ways, which ultimately generates an unsettling problem.

Use of Results

A big problem with the PA is deciding what to do with the information gathered from the appraisal. Without proper implementation of results, the appraisal is useless. A major issue with results is that managers may go through the entire process and ignore the results all together (Allen, 1994). Over time, the system will lose whatever credibility it may have had. Another issue with results is deciding how to effectively use the information gathered on the employee. In other words, what will happen to the employee based on the results of the evaluation. Once the evaluation is completed, it is unclear what the managers should do with the results. If the evaluatee receives a good appraisal, should the evaluatee receive a pay increase? If the evaluatee receives a bad appraisal, should they be fired or demoted? Because there is a lack of standardization most managers don't know how to go about implementing the results. So let us look at what authors have recently been suggesting to rectify these problems.

RECENT SUGGESTIONS FOR IMPROVEMENT OF PA

Academic scholars and industrial practitioners have suggested many aspects to change, add, or tweak. Grote (2010) recently stated that the ideal PA should consist of a 5-step process: 1) Employee performance planning where the manager meets with each employee for an hour at the beginning of the year. to discuss goals for the year. 2) Employee performance execution where the employee performs his job and seeks to achieve his established goals. At the middle of the year, the manager and subordinate meet to discuss progress toward achieving those goals. 3) Employee performance assessment where the manager fills out the PA form and discusses it with his boss before discussing it with the subordinate. Manager also decides administrative decisions like compensation at this time. 4) Employee PA interview where the manager meets with the appraisee for an hour to discuss the manager's appraisal, the subordinate's self-appraisal, and how to improve. They set a date to reconvene to set next year's goals/start the process over. Grote (2010) and others have stated that individual development/improvement plans should also be employed. Grote adds that there should be more responsibility placed on the employee such as being responsible for seeking coaching and feedback and doing a self-evaluation at the end of the period. Other authors have recommended trying to produce more measurable goals to begin with, give more frequent feedback on performance to the operating employee, reduce biases in appraising employees, better train appraisers in appraising employee job performance achievements, and periodically and continually auditing/reviewing the effectiveness of the PA system. Some have stated that the goals of performance appraisal should include retaining employees and aligning organizational goals (Mayhew, 2011). There is also unanimity among authors that the ideal PA should be pragmatic, cost-effective, and legal (especially regarding EEO requirements).

Regarding what is measured and how. Thomas and Bretz (1994) suggested that managers and subordinates both be more involved in the development of the general PA system/process as well as the PA forms used. They also suggested that there should be more rewards for appropriately using the PA system. Strive for clear, specific, measurable expectations. Use techniques as free from biases as possible. Use evidence-based techniques that are shown by quality research to be valid and reliable. In fact, some, like Jafari, Bourouni, & Amiri (2009), have even developed mathematical approaches to comparing and selecting the best PA technique to use in given circumstances.

A strong emphasis is being placed on better training of those involved in the PA system. All managers who currently perform performance appraisals, or any who would potentially do so, should be required to participate in PA training. A trained HR specialist, with particular training in the performance appraisal field, should conduct the training programs. The HR specialist can better convey the corporation's culture and values as well as the legal aspects of PA throughout the training. The training can tackle the major aspects of language use, objectivity, legal aspects, psychological concerns, evaluative criteria and listening skills. New employees should also be trained in PA as part of their corporate orientation. Present employees should go through refresher training annually to brush up or learn new and improved elements of the PA process. This learning should never stop. Nor should we stop attempts to improve the performance appraisal in general.

ENHANCEMENTS TO THE IDEAL PA

To have an "Ideal Performance Appraisal System" it is assumed that many present performance appraisal (PA) system components should be retained in general. The components to retain are 1) establishing expectations for employee performance, 2) allowing the employee the resources to perform the job, 3) appraising that employee's job performance, 4) reviewing the appraisal process, and 5) continuing the cycle of steps 1-4. However, there are six additional aspects where important changes could be made to produce a more "ideal" performance appraisal system. Those aspects are: 1) Performing the changes recently recommended, 2) clarifying the goals and role of performance appraisal, 3) focusing on both results and behaviors, 4) adding an appraisal category, 5) properly timing the PA process, and 6) involving more constituencies in the process.

1. Perform the Changes Recently Recommended

Recent articles recommend improvements to conduct PA such as those mentioned above. Those as well as some others listed here should be employed if possible. For instance, regarding who does the measuring--the evaluator, it has often been recommended that the appraisers be trained in the process of appraisal. This way the manager can have more motivation and more skills to do a better job of appraising her subordinates' job performances. With the greater use of computerization, it is more likely to get input from additional sources (e. g. 360-degree feedback) for a more well-rounded and accurate view of the appraisee's job performance.

Regarding the process of the PA system, assess the evaluatee's job performance on a more frequent basis—continuously if possible. This could include daily progress reports/feedback sessions between supervisor and subordinate(s). Have the performance appraisals flow through the total organization including, and having support from, the top management of the organization. Make the PA system clear and relatively easy to perform so appraisers are not overwhelmed and over-extended. Make sure that audits of the PA system are conducted—that the system is reviewed frequently to spot problems and to make improvements. Make sure that users of the PA system are rewarded for properly/accurately conducting the PA system and applying the results. It has also been recommended that all PA's be conducted at the same time in the calendar year—not on each employee's anniversary date—to be more consistent in standards used for judgment. Also have specialists from the human resource department (HR) review the PA results for the same reason and to pick up biases (Staff of Employee Recruitment & Retention, 2010). Responses to different achievement levels should also be relatively standardized. For example, meeting standards gets a 3 % raise while exceeding standards obtains a 6 % pay increase.

Many have recommended that there be more training of appraisers on how to appraise and how to use the results. Have PA manuals (preferably online) available for further review and as-needed information. But as with any other area of PA, the ideal PA system must be practical in the sense that it is easy to use, understand, and administer. It must be useful for making decisions, and it must be cost effective.

2. Clarifying the Goals of Performance Appraisal

As stated previously, the ideal PA system could refer to a specific instrument, the PA interview, a PA system, or performance management. We have chosen to focus on PA as a system as described above. It is very important to realize that <u>the ideal PA system is a format</u> (process) and not a form (specific instrument).

We need to clarify the purpose of the PA system. Many years ago it was asserted that organizations typically try to concurrently achieve two goals in their PA's which produces a conflict and less than ideal results. Organizations seek to use the PA to a) *make administrative decisions* (such as whether to fire/retain/promote, the level of pay increase, training needs, etc.) and b) *improve employee performance* (by learning the shortcomings of the employee and seek to help the employee improve in those areas). The first is a judicial process where the latter is a counseling process. The appraiser must act as a judge in the former and a guide/counselor in the latter. It is very difficult to be a judge and counselor at the same time. On the other side of the desk, the appraisee tends to selectively hide potentially damaging information that could hurt his being judged highly but tends to openly state weaknesses that could be rectified when the appraiser is acting as a counselor. So there are conflicts within both the appraiser and the appraisee in a typical PA. The proposed <u>best way to deal with these conflicts is to clearly separate the two goals</u> <u>(administrative and developmental)</u> so that both the appraisee and the appraiser know when each purpose is occurring. It should be clear when the appraiser is evaluating the evaluatee on administrative standards (tied to organization goals) or on developmental goals (tied to what the employee personally wants to achieve in that work setting). This separation also has implications for the training of appraisers; they should be trained in how to be a good counselor as well as a good evaluator.

3. Focus on Both Results and Behaviors Appraisals

As some have previously stated, if we assess both objective aspects like results and subjective aspects like attitudes, we get a fuller picture of the employee's performance. Likewise, if we assess both specific end results and also the process/behaviors that led to the results, we get a fuller picture of the employee's performance. But let's take that another step further. If we go back to the basic goals of the PA, we start with goals of making administrative decisions and improving employee performance. Now let's separate those two goals and tie them into the results and process dimensions. <u>If our goal is to make better administrative decisions</u> (e.g. regarding employee retention and promotion, compensation, training), <u>focus on objective appraisals like performance results</u>. <u>If the goal is to</u> develop the employee and <u>improve</u> that <u>employee's job performance, focus on the subjective/process elements</u>. Administrative decisions, such as employee termination, should and often are legally required to be based on objective data—not subjective opinions. The number of items produced or sold, the revenues or profits obtained, even the number of hours worked to achieve the end result are all objective results and can be defended to the employee or the judge/jury in a court setting. However, when we talk about improving an employee's performance, we tend to take the objective results as givens and focus on what the employee could do differently; the employee must behave differently to achieve different (better) results. Doing the same thing (behaviors) should get the same results (less than perfect performance results). So to improve job performance, the behaviors (and their motivation, attitude, etc.) should be changed. The employee should do something differently/behave better to get better objective results.

4. Adding an Appraisal Category

Changing job behaviors may not always be the most efficacious move to make to increase job performance. We assume that if the employee changes/improves his job performance behaviors, that his job performance results will improve. However, that assumption misses one very important ingredient of job performance—the situation. If the economy deteriorates or the salesperson is suddenly assigned a territory with a dearth of prospects or the engineer's computer breaks down or the store check-out clerk has vastly fewer customers, the job performance will diminish in all cases even if the employee adds job skills and increases her motivation to perform better. Consequently, *the ideal PA must measure the situation*—the opportunity to perform and the organization's support to perform well.

As to how to assess the appraisee's situation, one could look at the instrument to assess the situation in Fiedler's (1977) contingency theory of leadership. His "situation favorableness" assessment instrument is not necessarily a panacea to measure the situation for performance appraisals, but it can be a starting point for developing such an instrument.

5. Timing and Arrangement of the Process

An important aspect in developing the ideal PA system is the timing and arrangement of the elements in the process. The typical PA has been conducted by setting goals with each employee at the beginning of the year. This is laborious and also contentious as the typical conflicting appraiser PA goals of guiding and judging cause the skeptical appraisee to withhold information and resist suggestions or demands by the evaluator for the evaluate to list certain goals. Since the supervisor, at whatever level, tends to meet with each subordinate one at a time and each session averages about an hour, it is very time consuming. Considering that the supervisor has other responsibilities to attend to such as producing products or services for customers, PA interviews can be drawn out over lengthy periods of time. Likewise at the end of the period when the supervisor sits down with the evaluatee to discuss the annual or semi-annual appraisal of the employee's performance, that also takes a great deal of time and has even more subordinate resistance whenever the employee is judged for administrative decisions such as pay raises or promotions. After all, the average employee believes he is above average—or at least 75% of the employees believe they are above average. So how do we deal with these challenges?

To alleviate some of these aforementioned problems, it is recommended that the <u>PA be split into two parts</u> with quick decisions being made regarding administrative decisions at the front end in setting the standards for the position for the year (or other time period) and at the end where the PA is done based on achieving the standards based on objective (measurable) results) and subjective (process, behaviors) evaluations. This will reduce the "limbo" time between ending one period and starting another as well as increase the consistency of evaluations across appraises. Then take more time to establish the developmental goals at the beginning and the end-appraisal of individual goal achievement at the end of the period. The discussions of extent of goal achievement are to help the subordinate look at how to meet his personal goals (e.g. be rated "excellent") for improving his work performance (e.g. sell more widgets) to achieve what he wants to on the job (e.g. be promoted to manager). The supervisor does not have to act as a nasty judge because all administrative decisions have already been made. The supervisor can focus on helping the self-motivated subordinate achieve her personal goals-- what she wants to accomplish—and increase the job performance of that employee. Focusing on employee goals encourages more involvement and engagement of the employee—thus increasing employee motivation to do the work on the job.

6. Involve More Constituencies in the Process

The more people that are involved, the more chances for better ideas and fewer mistakes—to a point. If more sources can make suggestions to improve the job standards and goals, they should be "better" standards and goals—more accurate, more challenging, more measurable, etc. Therefore, besides the supervisor and the subordinate(s) developing the goals, reviewing it by specialists in the organization's human resource department (someone who knows the qualities required to write good objectives and who has a system-wide view of what needs to be done and what others are doing) should result in "better" employee goals. Also, at the other (performance appraisal) end, having input from others (basically a 360-degree appraisal) should give a more complete picture of the actual achievements in comparison with the expectations of what to accomplish (the goals, standards). Getting evaluations toward the standards and goals from the supervisor and self-evaluations from the subordinate are routine. Getting evaluations from interacting and knowledgeable peers and the subordinate's subordinates have been recommended. It is also recommended to get assessments from the subordinate's customers.

Even with all of these recommendations for changes to improve the PA, it is still questionable if it will work in all situations for all people. Can the same, ideal PA be applied the same way in all situations? Will there still be problems with different appraisers, evaluatees, jobs and levels of jobs, companies, sizes of organizations, types (public and private; local, regional, national, international), industries, geographical locations, cultures, countries? Many questions still remain unanswered. More will be known about that after these suggestions are applied and further research is conducted.

CONCLUSION

The ideal PA system is a format, not a form. It is a process that involves setting expectations (of the supervisor and subordinate), having the subordinate perform to achieve the expectations, of appraising and feeding back the results, and applying the results of the assessment in ways that benefit the organization, the supervisor, and the subordinate involved. Remember that the ideal PA system has two separate purposes (administrative and developmental)—which must be separated and not attempted to be achieved simultaneously. It appraises both standards applied to many as well as goals applied uniquely to each individual. Administrative decisions, based on standards and objective results, should be made first and quickly; Developmental aspects, based on individual goals, are made later and take more time. Both assess objective and subjective aspects of the employee's job performance. The appraisal considers the appraisee's skills and motivation within the context of a changing job situation to judge the appraisee's job performance. The process and techniques applied are based on evidence-based management that applies valid and reliable approaches. Implementation of the ideal performance appraisal may not be feasible, or possible, for all organizations. But for those who can and do use the PA system proposed herein, it should be an improvement.

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LEADERSHIP DEVELOPMENT IN CCRCS

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ABSTRACT

Knowledge, skills and abilities (KSAs) are essential to the success of any executive. This study explores the KSAs necessary for successful executive directors of continuing care retirement communities (CCRC). The key dimensions ranked as the most important include in descending rank order: organizational skills, business acumen and interpersonal skills. Based upon these findings, a CCRC leadership development component model is proposed. The model exhibits the six C's of successful CCRC leadership which include communication, customer service, change management, creativity, coaching and controlling.

INTRODUCTION

Peter Drucker is well known for his statement that, "Management is doing things right; leadership is doing the right things." Leadership is defined as "the ability of an individual to influence, motivate, and enable others to contribute toward the effectiveness and success of the organization" (House et al., 1999, p. 188). It goes beyond the ability to just do things right but creates an environment of learning and positive culture towards higher organizational performance. According to a survey by the Health Management Academy of executive leaders in both healthcare and Fortune 500 companies, there is clear consensus that strong leadership is the key to organizational success (W. Wells & Hejna, 2009). Developing leaders is a daunting task for most organizations and has become especially salient in the healthcare industry.

The 21st century brings new and continuing challenges for the healthcare organizations. The industry is changing and having to adapt to new business models on a continuous basis. This is especially true with the new federal healthcare legislation that was recently passed. The complexity of the healthcare arena has multiplied and leaders will need to satisfy all stakeholders including the payers, consumers and regulators. There is a shortage of labor to fill many healthcare jobs and the demand will likely increase as the baby-boomers retire and require additional services. It will take extraordinary leaders to guide healthcare organizations forward, particularly those dealing with the older population.

Continuing care retirement communities (CCRCs) are one piece of this healthcare web. CCRCs are typically non-profit organizations that provide living arrangements for various stages of the aging process. This includes options of living in individual apartments, assisted living arrangements or nursing facility beds (Winklevoss & Powell, 1984). The number of CCRCs has continued to grow since the late 1980s and the Commission on Accreditation of Rehabilitation Facilities has indicated that there are approximately 1,100 in existence today in the US ("CARF

Commission on Accreditation of Rehabilitation Facilities," 2010). Little research has focused on this niche of healthcare organizations, yet, with the potential explosion of the baby-boomer population moving into CCRCs, leadership will be vital to appropriately grow the industry. The question will be what type of leader should be at the helm of the CCRC and what kind of leadership development is necessary for future transformation and growth?