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THE CONSERVATION OF FLOW: TENTH LAW OF CONSERVATION

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ABSTRACT

This article is a report on the discovery of the tenth law of conservation - the Law of Conservation of Flow (rate of mass change) that further develops the Bartini/Kuznetsov system of physical laws. The previous laws of conservation described in Aleinikov 2006, 2007 were expanding the Bartini's system in the direction predicted by Bartini and Kuznetsov which lead to the discovery of nine new laws. The tenth law, as opposed to the previous nine laws, is expanding the system of conservation laws in another direction: it deals with the cell in the table that is the closest cell to the mass, and the latter is considered to be the central cell because it includes the Law of Conservation of Mass (Newton, Lomonosov, Lavoisier). The mathematical formula of Flow is the following: $Flo = m : t = const$ (where Flo is Flow, m is mass, and t is Time). The range of measurement for Flow is $L3T-3$. A new unit for measuring the Flow is called "Mim" (coined from the first and the last name of one of the discoverers, Michaella McFarland). Time and place of discovery: February 23, 2008, Felton (Santa Cruz), California, U.S.A.

INTRODUCTION

It took about two-three centuries to discover, understand and accept the Law of Conservation of Mass. When Kepler discovered his Harmonic Law by stating that the ratio of the squares of the revolutionary periods for two planets is equal to the ratio of the cubes of their semi-major axes (, i.e., remaining constant), he certainly did not know why. It took many years to figure it out, and only Newton stated that it was the mass of the planet rotating around the sun of a certain mass that remained constant. It took Newton to finally understand and theoretically define what Kepler found empirically. Thus, it was Newton who equalized the formula $R^3/T^2 = const = m$. Newton, however, did not state the Law of Conservation of Mass. The Law of Conservation of Mass was first clearly formulated by Antoine Lavoisier (1743-1794) in 1789, who is often for this reason referred to as a father of modern chemistry. Lavoisier proved it on the basis of chemical experiments. However, Mikhail Lomonosov (1711-1765) had previously expressed similar ideas in 1748 and proved them by simple physical experiments. Please note the sequence again: Kepler - empirically in astronomy, Newton - theoretically, Lomonosov - physically, and Lavoisier - chemically.

ESSENCE

Actually it was Lomonosov first, who proved that the mass (he called it substance) remains the same in the transition from one state to another (the experiment with a candle covered by a glass jar and equalized on a balance before burning and during burning). Before Lomonosov it was considered that the substance of the candle disappears in fire. Lomonosov proved that it does not disappear, but continues to exist in another form - as a gas with the same weight. Lavoisier, on the other hand proved that the weight of the reaction product is equal to the weight of reacting elements, thus allowing the calculation of needed materials for certain chemical reactions.

Nevertheless neither of them said that the rate of the transition will remain the same if the conditions are the same. Therefore, the Law of Conservation of Flow has never been formulated as a Law of Conservation.

Phenomenon

Empirically (or phenomenologically) the conservation of Flow is easy to observe at all the levels of nature development. The river current, for instance, remains the same at a certain point of time and space if the conditions don't change. Another typical example of the Flow is the flow of sand in the hour-glass where the flow remains constant to such an extent that people make this flow the instrument for measuring time.

On the chemical level the Flow remains the same, too. Chemically, if the area of contact of two elements and the temperature of environment remain the same, then the reaction between them maintains the same speed. This means that the flow of transformation is constant.

Biologically it is also easy to imagine that the loss or growth of mass in the live body will remain the same under unchanging conditions.

Economically, for example, the amount of taxes from the population to the government should remain the same if the situation doesn't change.

These examples show that the growth or loss of mass in a flow (the rate of mass change) remains the same, no matter if it's in the physical, chemical, biological, or economical domains.

Term

To cover the process of transition from one state of matter to another, from one chemical substance to another, from one domain to another - many different terms are used. One can find here the terms of current, reaction, transition, transformation, exchange, currency exchange... All of these terms are just different names for the same concept. The question is, "What is the most general term that will embrace them all?" In our understanding the term "Flow" meets the requirements.

Conservation Law

As is common for all conservation laws, the new law is true only for the ideal situation. It states that under ideal/unchanging conditions Flow (the rate of mass change) remains the same, or

constant. In plain English, it states that if conditions of the flow remain the same, then the rate of mass changing will remain the same. This will constitute the Law of Conservation of Flow.

Formula and Relationships to the other Concepts

The mathematical formula of Flow is the following: $Flo = m : t = \text{const}$ (where Flo is flow, m is mass, and t is time). In the Bartini Table it takes the place over the mass cell. So in terms of SI system, it will be measured as kg/s. In the geometrical space of the Bartini Table, the new law is neighboring with the famous Law of Conservation of Impulse (Newton) that is measured by the $\text{kg} \times \text{m/s}$ (on the right) and viscosity measured by $\text{kg/m} \times \text{s}$ (on the left).

Measurement

The range of measurement for Flow is L3T-3. It is based on the measurement of mass that is L3T-2 in the Bartini/Kuznetsov system of physical laws (Bartini, 1965, 1966, 2005; Kuznetsov, 2000).

Unit

A new unit for measuring the flow is called "Mim" It is coined from the first and the last name of one of the discoverers, Michaella McFarland. So $1 \text{ Mim} = 1 \text{ kg/s}$.

Time and Place of Discovery

Time and place of discovery: February 23, 2008, Felton (Santa Cruz), California.

CONCLUSION

Just as the Law of Conservation of Mass (L3T-2), the new Law of Conservation of Flow (the rate of mass change - L3T-3) is applicable to all physical, chemical, biological, and economic systems. This law puts a solid mathematical and physical foundation under what was intuitively obvious. Moreover, such an approach theoretically opens doors to the next laws, and puts a "done" mark in the cell that was earlier unoccupied.

APPLYING THE LAW OF CONSERVATION OF VOLUPOWER TO GLOBAL ANALYSIS OF NATION-STATES

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ABSTRACT

This article applies the Law of Conservation of Volupower to a global analysis of nation-states. The fundamentals of the law of Volupower were described previously in Aleinikov & Smarsh 2007. This law expands the Bartini/Kuznetsov LT system of interpretation of laws of physics (Bartini, 1963, 1965, 2005; Kuznetsov, 2000) and builds up on the two laws introduced by Aleinikov (Aleinikov, 2006-2007). The Law of Conservation of Volupower states that under ideal/unchanging conditions Volupower (volume spread of power) remains constant. The formula for Volupower is $Vlp = P \times S^3 = \text{const}$ (where Vlp is Volupower, P is Power, S is Distance). In our previous work, we showed that the law is applicable to physical systems as well as complex economic and military systems. This particular research is focused on a specific usage of the concept of Volupower as a universal basis of comparing different nation-states.

DEFINITION

The term offered for the phenomenon of volume spread of power - Volupower - is quite transparent. The range for measurement for Volupower is L^3T^{-5} (where L is length and T is time) that further expands the Bartini/Kuznetsov system. The Law of Conservation of Volupower states that under ideal/unchanging conditions Volupower (volume spread of power) remains constant. The formula for Volupower is $Vlp = P \times S^3 = \text{const}$. The relationships with the other concepts are the following: $Vlp = \text{Exp} \times S = \text{Ext} \times S^2 = E \times S^3/t = \text{const}$ (where Vlp is Volupower, Exp is Expancia, Ext is Extencia, P is Power, E is Energy, S is Distance, t is Time). A new unit for measuring Volupower is called Smar. Mathematically, $1\text{Smar} = 1\text{watt} \times 1\text{m}^3$. For additional information, see Aleinikov & Smarsh 2007.

VOLUPOWER APPLICATION

In order to apply the concept of Volupower to a nation-state analysis, the process has to follow certain steps. The first step is to define the elements that make up the system itself while holding the environment constant. The second step is to measure or quantify the elements. The third step is to convert the measurements of the elements into a common unit. In terms of Volupower, the

unit is a Smar. These measurements could be first converted into power or energy, then to Smar. Once all elements have been measured and converted, then the fourth step is adding the parts of the system. The outcome describes the overall potential of the system. After repeating this process for the second and subsequent systems, certain conclusions can be drawn from comparing the potential of these systems.

Nation-State Case Study

Step 1. Define the elements: elements of nation-states can include economic, military, and technical power

Step 2. Measure the elements considering the efficiency of political (organizational) power:

- a. Economic power
- b. Military power
- c. Technical power

Step 3. Convert the measurement into a common unit

Step 4. Sum the parts of the system.

The hypothesis is that the overall sum of the parts of the compared nation-state systems can be used for calculating a strength or weakness. Being able to project the elements of a nation-state systems, one can then predict the balance of global Volupower changes. For example, the calculation can show when the Volupower of a nation-state like China will exceed the Volupower of another nation-state like that of the United States. This can be an objective or visible way of simplifying often disconnected unsystematic and over excessive data.

CONCLUSION

This article applies the Law of Conservation of Volupower to a global analysis of nation-states. A process has been developed to compare earlier non-quantifiable parameters into scientifically based measurements. Thus, the Law of Conservation of Volupower and its socio-political application can become an instrument of control and influencing the future.

ACCESSING QUALITY MANAGEMENT STRATEGY: PROCESS AND METHODOLOGY

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ABSTRACT

This paper presents a revised research methodology being used to improve on an earlier study of quality practices found among Kentucky manufactures. The questionnaire in the first study was a result of the research teams understanding of constituted quality management. The instrument used a variety of scales resulting in descriptive as opposed to quantifiable analysis of the data set. The new questionnaire uses the Malcolm Aldridge National Quality Award as a framework for the questionnaire and a consistent scaling procedure. The questions in the survey come from seven previous studies which have already been tested for construct validity. The new instrument is expected to result in a much more robust approach to the data analysis and a great deal more knowledge about quality management practices.

INTRODUCTION

The foundations of quality management can be found in Egyptian, Roman, Greek, and Chinese history predating the birth of Christ by as much as two thousand years. Modern quality management is attributed to the work of the so called "quality gurus" of the twenty century. Central to the movement towards modern quality management was the adaptation of quantitative measures focusing on statistical methods pioneered by Shewart, Deming, and Taguchi during the early part of the century. Crosby, Juran, and Ishikawa introduced the qualitative or soft side to quantity management during the mid century.

The hard side of quality management, focusing on measurement of results, tended to dominate the quality movement until the later part of the century when Japanese companies adopting the softer or social aspects of quality started to become successful competitors in global markets. During the late 1980s Imai and Deming called for the process of continuous improvement combining both the hard and soft approaches about the same time as Business Week issued the wake up call – "If Japan can why can't we?"

Although modern quality management may have started in the United States, Japan appeared to be the first country to adopt the approach in a substantial way. Because this movement was such a radical departure from the established way of viewing quality, the adoption process was slow to

unfold. In reality, the foundations of the softer side of quality had existed for many years. Incorporating the qualitative side of quality only began to gain popularity when it began to have a positive effect on an organization's bottom line. Regardless of the rhetoric, diffusion of new management practices comes slow. It requires new ways of thinking and substantial changes in an organization's social structure.

There have been thousands of quality management articles published since the 1980's discussing this revolutionary shift in management's approach to quality. The old approach relied mainly on quantitative measures and focused on outputs. The new approach incorporates quantitative measures but focuses on consumers and processes and includes soft measures. It has been called a new management paradigm or new management philosophy and has appeared under the guise of different terminology such as total quality management, continuous improvement, and Six Sigma.

ORIGINAL STUDY

In the late nineties a team of professors from Eastern Kentucky University under took a study to determine the extent to which the new quality movement had been adopted by small and medium manufactures in the state of Kentucky. Developing the questionnaire was immediately problematic because, like the term management itself, there was no universally accepted definition of quality management. Even today there is no general agreement on the critical factors comprising quality management.

The original research team was split on the methodology, design, and process to be used to determine what should be included in the questionnaire. The split involved the following issues:

1. the use of criteria used to determine questions
2. the use of scaling used to answer questions

The researchers began by reviewing the publications of the early "quality gurus" and the most current research at the time to develop an instrument that could determine the adoption of the newer approach to quality management. Elements from these sources were combined into a framework derived from Spencer (1994), Dean and Bowman (1994), Hackman and Wagner (1995), and Powell (1995).

Ultimately, the questionnaire came from the individual team members' own understanding of the literature rather than from widely recognized instruments used to measure quality management. The questions were grouped into the following factors and used a variety of scales:

1. attitude toward quality
2. measures of importance
3. use of team approach
4. amount of training
5. documentation of processes
6. degree of responsibility

There was disagreement between the team members as to the scaling of each question. The team was split as to whether they should use a common scale or to vary the scales for the purpose of analysis. Two of the team members felt that they should just collect the data and see what they ended up with. As a result of using the varying scales, the data ended up being arrayed in frequency distributions in lieu of any type of statistical analysis.

The survey found that although many of the Kentucky firms indicated that they had embarked on new quality programs, very few actually had implemented the critical factors found among the six dimensions on which the survey was based. In fact the overwhelmingly majority of the firms indicated that they continued to do business as usual. Although the findings from the original study were significant from the standpoint of illustrating that an adoption process was not taking place, the members of the research team were not satisfied with the survey instrument.

A relatively large database had been assembled which could have been analyzed to reveal great deal more knowledge about the practices of quality management. The current research is an attempt to correct weaknesses in the previous research and lead to a more robust analysis that will real much more about the diffusion of quality practices among Kentucky manufactures.

NEW PROCESS AND METHODOLOGY

The purpose of this paper is to present the process used to improve the original study. The Malcolm Baldrige National Quality Award (MBNQA) criteria was chosen as framework for developing the questionnaire. The Malcolm Baldrige National Quality Award represents the United States government's recognition of quality as a national priority and an essential part of successful competitive strategy.

Based on input from many experts throughout the country a comprehensive process and a set of seven broad and dynamically interacting criteria were developed in order to evaluate and recognize overall quality performance. There is a substantial amount of research validating the Malcolm Baldrige Framework as a valid and reliable method to measure quality in a broad variety of industries and types of organizations, [e.g. manufacturing and service, non-profit and for profit, public and private] (Keinath and Gorski, 1999; Pannirselvam, Sirfred et al, 2000, Ford and Evans, 2000, Wilson and Collier, 2000, Winn and Cameron, 1998, Flynn and Saladin, 2001).

The individual survey questions were created with two objectives:

1. To identify changes in perspective and practice since the 1993 survey
2. To develop a benchmark of quality practices used by industry that can be used to facilitate improvement by existing firms.

To accomplish this, survey questions were adapted from a number of sources based on the seven constructs used in the Baldrige Framework. The sources used to establish the first set of questions can be found in Table 1 and already been tested for validity.

Industry Week Annual Survey	Industry Week Magazine	2007
Are We Ready as Leaders	Baldrige National Quality Award	2007
Are We Ready	Baldrige National Quality Award	2007
Quality in Education a Study of Ohio's State Department of Education	Unpublished Dissertation - Reid	2008
Quality and Small Business	EKU Research Study	1994
	Quazi	1998
	Saraph, Benson & Schroeder	1989

Initially 460 survey questions were collected from the aforementioned research, and using a four iteration Delphi technique. Table 2 illustrates how the four iterations were used to reduce the original set questions. The Delphi process incorporated the critique and opinions of the principal research team of five faculty members actively studying quality practices in organizations. For the first three iterations the number of questions was reduced by about half and on the fourth iteration another 30% of the questions were eliminated.

In addition to the principal research team three external researchers critiqued the survey to improve the structure of the questions. The survey was shortened with the objective of making it as parsimonious and comprehensive as possible. These two objectives are diametrically opposed to each other which caused a great deal of debate and discussion among the research team. While keeping these two objectives in focus and maintaining the Baldrige Framework as the key decision criteria in determining which questions to keep; the number of questions was ultimately reduced to 78.

Category	Initial List	Round 1	Round 2	Final Draft
Leadership	58	25	10	5
Strategic Planning	10	5	5	6
Customer & Market Focus	46	21	9	7
Measurement/Analysis	73	53	21	21

Category	Initial List	Round 1	Round 2	Final Draft
Human Resource	67	51	14	8
Process Management	142	78	40	22
Results	18	4	3	7
Other	46	14	9	7

The majority of the questions use a seven point Likert Scale grounded at each end with absolute definitions in order to permit clear understanding of the response choices and a more uniform perception of the differences between respondents, eliminating the multi-scale approach used in the earlier ECU quality study. As the original study was designed to explore quality in manufacturing firms, there was a focus in the survey on the constructs of process management and measurement/analysis. This focus is maintained in the current study with the majority of the survey questions based on these constructs.

The completed survey will be pilot tested in two different ways to insure typical respondent understanding. The first test will entail administering the survey to a class of MBA students to identify any questionable wording or phrasing in the questions. The second test will occur with a group of executives that work in a function related to or directly involved with quality management.

Content validity of the survey was established in two ways – first the survey questions were based on questions used in previous research that developed the constructs used in the current research. The studies used are identified in the following table. Second, each question was reviewed by a panel of experts to insure the content of each question was consistent with the intent. This review process was then validated with pilot testing.

ANTICIPATED OUTCOMES

The research that motivated revisiting these concepts was a study examining the use of quality concepts in small manufacturers. Because an objective of the current effort is to explore what has changed in this population, the initial sample is targeted at manufacturing organizations.

The unit of analysis for this study is the company as quality practices dictated by senior management and practiced by mid and operating management are the polices of interest. While there is interest in making the study more granular, that is left for a future time.

Descriptive statistics will be useful in identifying changes in perspective since the 1994 ECU study and differences between respondents and the Baldrige benchmark. From the descriptive statistics we should be able to identify popular practices and compare them to practices that are typically in place in "high quality" organizations. The results should be able to inform interested

organizations where future emphasis can be placed to maximize (optimize) the return on investment for manufacturing (and other) organizations in the state. The most useful and popular results will most likely come from the descriptive analysis

REFERENCES

References may be obtained by contacting the authors.

BEWARE THE FULL COST ALLOCATION MISTAKE IN MANAGEMENT DECISION MAKING

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ABSTRACT

At the end of the 20th century the development of powerful computers providing the capability to manipulate large quantities of numbers coupled with the introduction of Activity Based Costing (ABC) enabled managers to evaluate customers and products using Value Chain and Supply Chain techniques. The underlying methodology for Value Chain and Supply Chain evaluations is rather simplistic. The evaluator identifies the revenues associated with the product or customer and then directly identifies or allocates all costs believed to be associated with the product or customer. Once the revenues and costs are assigned, it becomes a matter of adding the numbers to determine if the customer or product is profitable. But will this approach give managers the information that they need to properly evaluate products and customers? This paper examines the underlying methodology being utilized in Value Chain and Supply Chain evaluations to determine its suitability to support the management decision making process. In addition, an alternative approach is also presented.

RESPONSE TO HURRICANE KATRINA: A SMALL BUSINESS APPROACH

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ABSTRACT

In this exploratory study, we examine the response of two small businesses to the crisis situation in the aftermath of Hurricane Katrina. Using a case study approach, we build on a three-stage model of crisis management response with small business applications. Our cross-case analysis yielded four factors that inhibit the response of small businesses to externally-induced crisis situations and six factors that enhance the small business response. The inhibiting factors include limited financial resources, communication difficulties, supply logistic problems, and government bureaucracy. The enhancing factors include a sense of proximity, the ability to move rapidly, concern for employee welfare, versatility, networking, and concern for the community.

RENEWING AN OLD STRATEGY FOR A LEARNING ORGANIZATION: THE TARGET CASE STUDY

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ABSTRACT

The Target Case Study Program was developed as a new, innovative staffing strategy. In the program, Target presented a university class with one of 15 cases focused on real problems faced by Target. Students teams then created solutions, presented the solutions to Target executives who judged the teams' efforts and awarded significant scholarship money to the winning student team. The purpose of the program was to strengthen existing partnerships between the retailer and universities and to better inform students about employment at Target. This and more was accomplished. As students developed solutions to the case they learned more about the corporation and, the more they learned the more attracted they became to Target as a potential employer. Additionally, Target executives who heard the student presentations and read the student reports learned about the new millennial generation of potential employees, heard a range of solutions to corporate problems, and were able to apply this information to their own work. The outcome of the experience was a program that benefited the sponsoring corporation, the university, and, most of all, the students.

INTRODUCTION

In 1912, when the dean of the Harvard Business School was searching for a pedagogical method for teaching the new discipline of management, he naturally looked at two other graduate schools, Harvard Law School and Harvard Medical School, for guidance. Both educational institutions developed professionals in their subject area by studying cases – case law and medical cases. The business school followed suit in using the case method (Cruikshank, 1987), with one significant difference: "It included executives coming to class to discuss practical problems in their companies, ranging from strategic issues to plant layout and personnel problems, and it involved students in active discussion and presentation of their solutions – thus was born the case method." (Greiner, Bhambri & Cummings, 2003: 402) Also, as noted in the description of the methodology above, originally both the university and the corporation in the case benefited from the case method partnership.

Today, we see a renewed approach to case study taking place and the benefits of the experience are not only improved learning at the university but also knowledge acquisition for individuals at the company and for the organization as a whole. What is different this time is that

the impetus comes from the corporate partner, Target Corporation (Target). Not only is strategy a focal point of the cases but the Target Case Study Program itself is a corporate strategy.

The Target Case Study program has been successful in accomplishing its goals of building university partnerships and bettering informing students about Target as a potential employer. In addition to achieving its designed purpose, the program has also produced a number of other unintended but highly beneficial outcomes. The organization's ability to identify and learn from these unintended outcomes demonstrates that Target is an organization with people who are ready, willing and able to learn and innovate. In this respect, Target is displaying the attributes of a learning organization, "an organization skilled at creating, acquiring, and transferring knowledge, and at modifying its behavior to reflect new knowledge and insights." (Garvin, 1993: 80) As strategy experts (Wheelen & Hunger, 2008) have pointed out, being a learning organization is essential for developing strategic competitive advantage. Organizational learning, the primary component of competitiveness in our dynamic global marketplace, enables organizations to be strategically flexible.

OVERVIEW OF THE TARGET CASE STUDY PROGRAM

Target, based in Minneapolis, operates over 1500 stores in 47 states, 175 of which are SuperTarget stores. Target distinguishes itself in the large format, general merchandise discount retail sector through its emphasis on innovative products, great design, in-store experiences, and community partnerships. Innovation and continuous improvement are prominent characteristics of the products, the stores, and the operations of the company. (Target Corporation, n.d.)

Target faces challenges in a wide range of areas, as a company operating both in the increasingly competitive retail industry as well as in the increasingly competitive marketplace. Perhaps none of the challenges is as significant as being able to attract and retain talent. Target recognizes, as do strategy researchers, that the sources of competitive advantage lie in the human assets of a firm (Barney, 1986) and that staffing an organization with the correct people builds competitive advantage (Bartlett & Ghoshal, 2002)

A number of new demographic factors have increasingly threatened organizations' ability to fully staff their operations with talented individuals. Baby Boomers (people born 1946-1964) are the largest generational segment of the workforce today at 40%. This generation has already begun to retire. It is estimated by the Bureau of Labor Statistics that by 2010, the combination of Baby Boomers retiring and new workforce entrants coming from the less populous Millennial generation (people born 1980-2000), will create a workforce shortfall of 10 million in the United States. Target is doubly threatened by the shrinking pool of workforce talent. Not only will there be fewer people in the workforce, but Target's growth strategy demands that the number of its employees grows also. Target opens, and must staff, 100 new stores each year. The primary responsibility for recruiting, selecting, training, and retaining employees rests with Target's Human Resource area. Their problem: "How can we effectively staff our stores with (hourly/executives) teams as we enter the competitive labor market of 2010?" (Target Corporation, 2007)

Each year, after examining their campus recruiting strategy, Target's Human Resource area develops and implements new recruiting strategies. Past and ongoing activities have included participating in career fairs, providing grants, and underwriting events on campus. The goal of all

the programs is to better inform students about the Target Corporation. This year, the new strategy was the Target Case Study Program.

The Target Case Study Program is innovative and markedly different from other recruiting activities. In the Target Case Study Program, the corporation presents a university with a choice of 15 case studies, designed for college classroom use, with topics related to culture/diversity, human resources, merchandising, and others. The cases represent real, current problems and opportunities that face Target and others in the retail industry. Students are given the opportunity to develop and present solutions to the cases. The case studies last throughout the semester, with students, operating in teams, competing to have their solution judged to be the best by a group of Target executives. The prize for the winning team is \$3000 in scholarship money.

Target supports the case study in a number of ways. First, it provides a copy of the Target Brand DVD for classroom presentation to start the program. Second, Target makes executives available for one hour question and answer sessions in the class. Third, a panel of Target executives hears the student presentations, asks questions, reads the student reports, and determines the winning team. Of course, it also provides the scholarship money to each university's winning team.

Target employs about 100 campus recruiters throughout the United States (Target has retail operations only in the United States). The program was presented to the campus recruiters as the new campus recruiting strategy and they were encouraged to implement it in their region. It was, however, each individual recruiter's choice as to whether the program would be used in his or her area and which university in the area would be chosen.

The Target Case Study Program, although a new program for the Target Corporation, is similar to programs being used at other companies such as Cisco and Northrup Grumman. These organizations have developed programs that create learning alliances between public corporations and universities through problem solving and innovation. Indeed, asking students to solve corporate problems is not the only way corporations and universities collaborate to promote learning on both sides. There are other collaborative university-corporate arrangements, such as internship programs and co-operative education systems; they also promote shared learning for mutual benefit.

CASE STUDY OUTCOMES

The purpose of the Target Case Study Program initially was to create partnerships between universities and Target Corporation so that students would be better informed about career opportunities at Target (J. Lainez, personal communication, February 14, 2008). That objective was met as a number of students, both undergraduate and graduate have applied to Target for executive level positions and internships. Many of the students indicated that they had never thought of Target as a possible employer, but after participating in the case study project, they could more readily see the outstanding career opportunities that were available at Target.

Interviews with Target executives, who participated in the case study project and judged the student presentations, revealed that even though the company focus was on getting the word out to university students about careers at Target, additional benefits were realized. It is how that unexpected knowledge was acquired and transferred throughout the company that shows Target is a learning organization.

TARGET'S LESSONS LEARNED

Since the stated focus of the Target Case Study Program was to reach out to students, universities and their faculty to not only build better relationships, but to also better inform them of career opportunities at Target, all involved in the project would agree that it was a resounding success. The additional benefits of the program highlight how Target encourages management learning at every level.

One of the most important lessons learned by the executives participating in the case study project is that the very people they are trying to recruit, the Millennials, "don't want to even come in our door because they don't know what we have to offer." (J. Lainez, personal communication, February 14, 2008) Building the "those relationships one-on-one with professors and students" like those that grew out of the case study project, enabled the students to "see the full range of possibilities at Target" (J. Sembler, personal communication, February 21, 2008) Additional knowledge was gleaned from the student teams about the competition. The teams studied not only Target's retail competition, but Target's competition for attracting the best employees in the highly competitive labor market as we move toward 2010.

Target executives noted that having the opportunity to interact with and observe the student teams enhanced their knowledge of how to motivate and lead the Millennials. Furthermore, it helped them to better appreciate and understand the various generations in the workforce and how they can best be managed.

Lastly, Target has had a long history of outstanding training programs designed to keep their associates educated and responsive. The training executive who helped implement the case study project at this university indicated that after observing the student case presentations she would make adjustments to her training methods to better reflect the preferences and tastes of the new generation.

CONCLUDING REMARKS

Target has created a new strategic initiative with its Target Case Study Program from which it derives a fourfold benefit. First, the project provides a partial solution to the problem of attracting a new generation of employees in an increasingly competitive market for talent. Second, the project establishes or strengthens a symbiotic partnership with universities and their students. Third, the project collects a wide range of solutions that address a number of problems the firm faces. Fourth, the project provides a mechanism through which operating managers and staff executives learn more about Millennials, the new generation of workers, and how they can best be used in the workplace. The benefits to the partnering university and its students are substantial also: increased learning, increased employment opportunities for students, more scholarship funding, and the opportunity to apply classroom knowledge to real workplace situations. The Target Case Study Program represents a true example of corporate and university partnership and mutual benefit.

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HUMAN RESOURCE INFORMATION SYSTEMS IN CRISES

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ABSTRACT

Since 9/11, the importance of Human Resource Information Systems (HRIS) has increased substantially. An organization needs to explore their preparedness for crises and explore if they are utilizing their HRIS to improve their disaster plans. After 9-11, many articles were written regarding how organizations needed to develop their HRIS systems to enable them to continue operations after a terrorist attack, It is of vital importance, then for business, for every organization to be self-prepared through their own HRIS systems and other IS systems. That preparation extends to all areas of corporate functioning, but particularly to personnel considerations, as it is ultimately the people who run a company. In trying times, companies must be able to contact their employees and resume business after all types of crises, not just terrorist attacks or natural disasters such as Hurricane Katrina.

INTRODUCTION

"On Sept. 11, 2001, terrorists attacked the World Trade Center, killing 2,749 people. The attack resulted in severe economic impact, especially to airlines, and a stock market loss of \$1.2 trillion. On Dec. 26, 2004, a tsunami from a 9.1 earthquake overran the shores of many countries along the vast rim of the Indian Ocean. Over 283,000 people died. On Aug. 29, 2005, Katrina, a category-5 hurricane, knocked out electric and communication infrastructure over 90,000 square miles of Louisiana and Mississippi and displaced 1.5 million people." (Denning, 2006, p. 15). This past decade has been catastrophic, and there are still two more years to go. Many American businesses have not responded to the call for better human resource crisis planning, while a few corporations have risen to the challenge. It is necessary and extremely important for organizations to understand the importance of implementing crucial changes in the organizational structure of businesses throughout the US, primarily in the Human Resource sector. The Human Resource Sector is the area most responsible for the safety of personnel and therefore best equipped to foster the communication requirements any crisis will necessarily exact.

BACKGROUND

Since 9/11, the importance of Human Resource Information Systems (HRIS) has increased substantially. It has become important in all industries despite their differing business models, clienteles or work forces. What the surge in emphasis on human resource preparation indicates is

that it is no longer financially viable or politically responsible to ignore the necessity of contingency planning. This knowledge has grown out of the climate of change based on the lessons learned from the terrorist acts of 9/11. "More importantly, the feedback and lessons learned from the September 11 disaster recovery process had a significant impact on optimizing the current processes, culture, and organizational model." (De Tura et al, 2004, p. 160).

It has become clearer that both customers and employees alike expect an emergency preparation model from the financial community to prevent disruptions of commerce so that business as usual can resume as soon as possible after a disaster. "Since the events of 11 September 2001, in New York there is now world-wide awareness of the necessity of having trained and coordinated teams available to respond to such unexpected catastrophes." (Smith, et al., 2003, p. 517). It is not difficult to understand this mentality, especially since this country has now witnessed examples of effective and ineffective corporate leadership in crisis. Even people previously inexperienced with emergency contingencies are now cognizant of what are the most basic steps a company must take to ensure its work place survival and competency. "These steps include preventative planning and training, responding competently during the event itself, and providing social support and post-event services." (Schouten, 2004, p. 232).

Prior to 9/11 the function of Human Resources was considerably different; previously it was reserved more for handling personnel issues in the company such as managing health benefits, attending to payroll, etc. That has changed. "Over the past two decades, the role of human resource management (HRM) in organizations has shifted from measuring individual productivity among the employees toward strategic management of the human resources, focusing on competence development, human learning management, knowledge management, and learning organizations." (Hustad & Munkvold, 2005, p. 82). An important reason for this change is the way in which information technology (IT) has shaped this organizational component of a company. It is not adequate for a competitive business to not be equipped with the latest in informational technology when dealing with a vast amount of data and personnel.

HRIS PREPAREDNESS BEFORE AND AFTER A CRISIS

It is no longer viable for the top management of a functioning company to not utilize the capabilities of information technology. If one organization is not prepared to communicate with all levels of employees and make decisions quickly, a competitor will. Managers must be cognizant of incoming intelligence, be able to analyze trends they see coming, and predict crisis before they can occur, whether they be within an organization or outside of it. An organization needs to explore their preparedness for crises and explore if they are utilizing their HRIS to improve their disaster plans. The level of security and safety that people felt towards their institutions, first challenged by the events of 9/11, was called into question by the planning incompetence exhibited by the Federal Emergency Relief Agency (FEMA).

What is of vital importance, then for business, is for every organization to be self-prepared through their own HRIS systems and other IS systems. That preparation extends to all areas of corporate functioning, but particularly to personnel considerations, as it is ultimately the people who run a company. In trying times, companies must be able to contact their employees and resume

business after all types of crises, not just terrorist attacks or natural disasters such as Hurricane Katrina.

Unfortunately, much of the knowledge corporations gained from dealing with the aftermath of the terrorist attacks was either forgotten or misused during the crisis following Hurricane Katrina. There are still many problems of organizational preparation in this country. During Hurricane Katrina we saw that many organizations' HRIS systems or their IT systems were not prepared for this disaster. A study released in December 2005 by the nonprofit, Trust for America's Health (TFAH), noted, "[Hurricane Katrina] provided a sharp indictment of America's emergency-response capabilities as the gaps between plans and reality became strikingly evident. Parts of the public health system did not work, and while many did work as intended, those functions were often too limited and divorced from other response activities to match the real needs in a timely way," (Young, 2006, p.197). The report went on to give specific examples of ways in which some of the most basic infrastructural services are still woefully unprepared, months after Katrina and years after 9/11. "But, according to the report, hospitals in 15 states, including California, Florida, New York, Pennsylvania, Texas, and the District of Columbia, have not sufficiently planned to care for a surge of extra patients by using non-health care facilities, such as community centers, sports arenas, or hotels." (p. 197).

This poor planning that was exhibited by the Federal government in response to Katrina, highlights the need for strong leadership at all levels of an organization during both terrorist attacks and natural catastrophes. Also, the problems that subsequently occurred throughout FEMA and the federal response in wake of Hurricane Katrina were largely due to personnel failing to competently communicate with one another. "The various agencies had major difficulties in coordinating and FEMA did not deliver what people thought it had promised. At all levels there was a lot of finger pointing and wrangling over who would do what and who would pay for what," (Denning, 2006, p.17).

We must learn from these examples of poor human resource allocation and preparation that organizations need to have a crisis response plan which enables them to initially know where all their employees are (since now so many employees do not just work at the corporate headquarters) and to be able to contact them and their families. Many of the problems and difficulties suffered by the people of Louisiana as a result of Hurricane Katrina were due to poor organizational communications. Another problem that contributed to the organizational breakdown after Katrina was the result of a decentralized command center that failed to hold civil employees accountable to the fulfillment of their obligations as administrators of public services. "The report noted that in the days after Hurricane Katrina, more than 30% of the New Orleans Police Department did not report for duty, an indication that "planning must not only account for absences, but also seek to address worker concerns." (Young, 2006, p. 197).

It is evident, based on these incidents, that there is a great need for HRIS systems which can help the organization, personnel, customers and family members respond quickly in a crisis. Using some of the successes and failures of both 9/11, and Hurricane Katrina as guides to what worked and what didn't, HRIS can help organizations to begin to take the correct precautions to ensure that when a tragedy or a disaster does strike, an organization is as prepared as possible. In a comment on the state of technology and its implications today, Andrew Lippman, director of the MIT Media Lab, relates an unfortunate consequence of living in the wireless age. "The response to the 1906 San

Francisco earthquake was more efficient than the emergency efforts that followed Katrina in New Orleans. At a time when communications technologies were limited, a single entity — the U.S. Army — quickly took control of emergency operations," (Hamblen, 2006, p. 20).

The corporation of Coast Electric also learned valuable lessons from the tragedy of 9/11 and decided to implement an Ad-Hoc system of additional, part time employees to deal with the problems created by Hurricane Katrina. "During the storm, Coast Electric saw its 230 full-time employee population swell to 3,000 with contract crews." (Babcock, 2006, p. 37). The professional services organization firm, Ernst and Young, created a Catastrophe Communications network to account for its employees affected by disaster. "The [so-called] 'Roll Call' database allows emergency personnel to view which employees have checked in and compare them against the list of workers assigned or "hoteling" at the office facing the emergency." (HR Focus, 2005). This roll call can be issued at anytime via an acting manager and it helps track where personnel are during a crisis.

Important steps have been taken through management of HRIS of several companies to minimize the potential damage of a crisis of an entirely different nature; that of financial proportions. After the unparalleled disaster of the collapse of the gigantic Enron Corporation which destroyed the income and assets of thousands of its employees in 2002, many forward-thinking industries have taken preventive measures to ensure its workers are protected through its HRIS. "While Congress and the Bush administration wrestle with how to alter the nature of defined contribution pension plans, savvy HR professionals are reacting to Enron by shoring up the administration of company 401(k) and employee stock ownership plans. They are also tending to employee relations issues that may have been caused by the negative publicity surrounding Enron." (IOMA'S Report, 2002, p.3).

Finally, in what may be considered an extremely altruistic move or a very pragmatic one, some companies have taken the approach that during a time of crisis for their company, they will refer their own customers to their competitors if they are unable to meet their customers' needs at the time; this is known as applying a Continuity Plan.

FUTURE TRENDS

Even in this era of cellular phones, the internet and fax machines, there is something reassuring about the idea of a central authority that is able to give and receive orders with competence that is worthy of emulation. Our organizations could have authority on an even bigger and more efficient scale with the right kinds of human resource and information systems preparation.

"Hastily developed networks," is another way HRIS can help organizations in crises. It is very beneficial for firms and has the undeniable payoff of sound organizational planning ahead of time. "Hastily formed networks is an area where advanced networking technology and human organization issues meet.... The first priority after the precipitating event is for the responders to communicate. They want to pool their knowledge and interpretations of the situation, understand what resources are available, assess options, plan responses, decide, commit, act, and coordinate. Without communication, none of these things happens" (Denning, 2006, p.16).

CONCLUSION

Ultimately, however, we cannot predict when a crisis is going to occur. This unpredictability is part of the reason that crises are so devastating. The best thing any organization can do to prepare for a crisis is to prepare its defense and that means planning and communicating, beginning with the HR department via information systems down to all levels of a company. It helps to practice by using safety drills. It is also important to make sure your organization is not overly dependent upon technology that could fail in an emergency.

Organizations are very important to our lives. When a catastrophe happens, we want to know that we are safe where we work and that can only occur with the right planning and early preparations put into place. "In addition to providing income, insurance, and other benefits, work imparts a sense of purpose, interrelatedness, and belonging. The workplace serves as a major organizing factor in the lives of most adults and as a source of social support; it is an essential part of the local community," (Schouten, 2004, p.229).

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CRISIS RESPONSE PLANS, CRISIS COMMUNICATION PLANS, AND SUCCESSION PLANNING: THE EFFECTS OF 9/11 ON HUMAN RESOURCE PREPAREDNESS

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ABSTRACT

The attacks of September 11, 2001 (9/11) on the United States had a profound impact on organizations both immediately following, as well as, six years after the attacks. This study focuses on the impact the attacks had on the Human Resources (HR) function within organizations. Discussions focus on the way that the HR function has been affected and how HR departments have dealt with the issues of crisis response plans, crisis communication plans, and succession planning.

INTRODUCTION

September 11, 2001 started off as a normal Tuesday morning at work. That changed at 8:46 a.m., the time at which the first plane crashed into the North Tower of the World Trade Center in New York City. A day that started out normal for thousands of workers turned out to be the day that is now considered to be the worst terrorist attack ever launched on the United States. As a result, the attacks of 9/11 changed America, the work environment, employers, and employees in the workforce, and human resources departments in organizations.

The purpose of this study is to understand how the workplace changed after 9/11. Specific research questions include examining how the effects of 9/11 affected the human resources function in organizations; whether 9/11 changed crisis response plans, crisis communication plans, and succession planning; whether 9/11 changed the way that organizations function; and how these changes affected the way the HR function operates within these organizations.

Companies were forced to look at their crisis response plans, succession planning and crisis communication plans in order to cope with the attacks of 9/11, but also to help them prepare for the future. These three activities of Human Resources (crisis response plans, succession planning and crisis communication plans) became priorities for HR professionals following 9/11 (Candrain, 2002).

CRISIS RESPONSE PLANS

Crisis response planning, often called scenario or crisis planning, is a roadmap for employees when a disaster strikes. As described in the article *Lessons from 9/11*, a typical disaster plan outlines how employees should evacuate the work place during a disaster, where employees will work if they cannot return to the workplace, food and shelter plans in the event that employee cannot leave the work premises, and where back up records and files will be located (2006). More specifically, there are three types of crisis response plans organizations can implement to help with the short and long-term effects of a crisis; they are business continuity, one to three year operations planning, and strategy.

The "Disaster Planning in the Private Sector: A Post 9/11 Look at the State of Business Continuity in the U.S." report found that overall U.S. organizations are still unprepared for disaster. The survey of one thousand executives who were decision makers in their organization's crisis response planning efforts, found that 25% of the respondents did not have a crisis response plan in place in their organization.

Companies that reported having plans in place acknowledged that the plans had not been updated. Twenty five percent of executives reported that their plans had not been tested within the past year; 40% indicated that the last time their plan was tested was over a year ago; and 11% responded that their plan had never been tested (Salierno, 2004). These findings were confirmed by another study which found that even those organizations that were directly impacted by a disaster still did not make improvements or changes to their crisis response plans. The study reports that "it was expected that organizations that were directly affected by the attacks of September 11, 2001, because of their location in the World Trade Center in New York, would create plans to be better prepared for emergencies and catastrophic events compared to employers that were not directly affected by the attacks. This was not found in the results of the study" (Hurley-Hanson, 2006). Interestingly, while the number of west coast companies that created crisis response plans increased, the number of east coast companies did not (Hurley-Hanson, 2006). However, all of the respondents felt "that their companies had improved their efforts in collecting emergency contacts for employees, in finding a way to communicate with employees after a crisis, in providing drills to help the employees become resilient and the employees had more confidence in the company's crisis planning," (Hurley Hanson, 2006).

Studies have also revealed that crisis response plans lacked procedures to evacuate disabled members of the workforce. Cynthia Wagner, in her article, *Disaster Planning for the Disabled*, notes, "When terrorists attacked the World Trade Center and its twin towers began to collapse, hundreds of people crowded into the stairwells as those in wheelchairs were left waiting." (Wagner, 2006). Companies must examine their crisis response plans to insure that the evacuation needs of all employees are accounted for.

CRISIS COMMUNICATION PLANS

One of the most critical lessons learned from 9/11 was the importance of employee communication and the role of Human Resources professionals in crisis communication plans. As Ramon Venero states in an article by Diane Cadrain (2004), "HR is going to manage all the internal

communication. They're the keeper of the keys. They have all the privacy information, they have to deal with the IT people, they know who to contact, and they have to be able to manage communication with employees en masse. It could be a very significant role, depending on the size of the organization." Much of the research on the topic of crisis communication plans focus on the importance of strong communication during a crisis and identifying the most appropriate communication channels during the crisis.

SUCCESSION PLANNING

"A Total of 343 firefighters, nearly 30 times the number ever lost by the department in a single event were killed in the attack. The dead included five of the department's most senior officials, including the chief who specialized in directing rescues from collapses of this sort" (Levitas, 2002). Along, with many lives lost, "The FDNY estimates that it lost 4,440 years of experience the day of the attacks" (Marquez, 2006). The massive losses experienced by the New York Fire Department illustrated to businesses in all industries the important role succession planning plays in a comprehensive crisis response plan. Succession planning is the process of identifying leaders who can step up and take a leadership role on short notice. In addition, the identified leaders are given the training, knowledge and tools to be able to take on a leadership role. The events of 9/11 have demonstrated that "companies cannot afford to have small numbers of people with skill sets that are not shared by others" (Candrain, 2002). Despite its importance, many companies still do not have succession plans in place. HR Magazine reported that: 43% of the respondents had no process for the transition of a CEO; 84% had confidence in their current management team; 25% did not know the strengths of the managers two layers below their own job; 40-60% of CEO's leave within the first 18 months (Pomeroy, 2006).

Overall, research has shown that crisis response plans, crisis communication plans, and succession planning all play an important part in a company's recovery after a disaster. Nonetheless, many organizations still have not created or updated their crisis response plans, crisis communication plans, nor their succession plans even after the events of 9/11. No organization could have been prepared for the catastrophic events of 9/11. In retrospect, 9/11 truly proved the importance of planning and of expecting the unexpected. This research study was conducted to assess the current state of organizations' crisis response plans, crisis communication plans, and succession plans. The following hypotheses are posited:

H1: Crisis response plans, crisis communication plans, and succession plans were not important to HR professionals in organizations prior to 9/11.

H2: Crisis response plans, crisis communication plans, and succession plans were important to HR professionals in organizations during the three months immediately following 9/11.

H3: Crisis response plans, crisis communication plans, and succession plans are not a priority for HR professionals six years after the attacks.

METHODS

Human Resources professionals located in downtown Los Angeles, who were also members of the Professionals in Human Resources Association (PIHRA) were chosen as the participants for this study. A survey was sent out via email to 446 PIHRA members; 42 completed responses were received, yielding a 9.4% response rate. The data was collected through a 48 question survey consisting of Likert scale responses measuring individuals' opinions on the topics of crisis response plans, crisis communication plans, and succession planning. The survey also included questions on the following demographic information on respondents and their company profile: gender, ethnicity, age range, education, years in current position, job title, career level, location of their organization's corporate office, size of organization, and industry type.

RESULTS

The results showed that although it may have not been a huge focus for HR professionals in organizations, companies did pay attention to crisis response plans and succession planning prior to 9/11. The results also indicated that crisis response plans were important but succession planning was not one of the most important aspects.

All respondents indicated that crisis response plans, crisis communication plans, and succession planning were important to their organization. Respondents reported that disaster budgets, disaster training, disaster planning, and disaster supplies purchases increased in the years after 9/11. They also agreed that HR executives have increased their focus on disaster planning in the years following 9/11. However, while 38% of the respondents indicated that their organizations set up off-site work locations in the event of the disaster, another 38% indicated that their organizations did not set up an off-site work location.

A significant relationship was found ($p=.019$) when analyzing the relationship between organizational size and the reevaluation/creation of employee crisis communication plans several years following the events of 9/11. Respondents in organizations in with 100 employees or less indicated that they disagreed with the statement that their organization re-evaluated or created crisis communication plans, where all other categories of sizes indicated that they neither agreed nor disagreed. These results suggest the important influence that organizational size plays in disaster preparedness.

DISCUSSION

The research and the results combined have shown that 9/11 has had a significant impact on the HR function in organizations. Although some HR aspects were more influenced by the impact of 9/11, overall, it was found that 9/11 truly changed HR practices and the workplace as a whole. Past research indicated that crisis response, crisis communication and succession planning were important to organizations. However little or no action was taken to change, review, create or increase budgets for crisis response, crisis communication and succession planning. The results of this survey contradict previous research since the respondents indicated that their organizations took

action to improve, create and increase their budgets, training and planning for crisis response, crisis communication and succession plans.

Future research should focus on how the effects of 9/11, along with other recent disasters/crises (e.g. Hurricane Katrina) have changed the workplace. It would be beneficial to understand how each of these events individually and collectively have affected organizations and specifically how they have changed HR practices. It has only been a few years since the attacks of 9/11 changed America and the way business is conducted. The impact of 9/11 on businesses, employees, and HR professionals can be expected to be felt for many years. Researchers are encouraged to examine the effects of this significant event and to use those findings to help HR professionals better prepare organizations to survive and to care for their employees in times of crisis.

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QUALITY LEVELS OF FOR-PROFIT AND NONPROFIT COMPETITORS: A REVIEW OF STUDIES IN HEALTH CARE

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ABSTRACT

Much of business school curriculum can be viewed as instruction in the creation of profit. Two tacit assumptions pervading such curricula are, in Adam Smith fashion, (a) that profit is, itself, good and (b) that pursuit of profit creates good. However, important pieces of commerce are substantially dealt with by nonprofit organizations, which appear to compete effectively with for-profit counterparts. Given business school attention to profit creation, can nonprofits be expected to compete effectively with for-profits in regard to service quality?

The proposed paper first will briefly discuss the legal structure of nonprofit organizations, comparing it with that of for-profit organizations. Next the paper will review the literature comparing the quality of service delivered by for-profit and nonprofit health care organizations. Such review suggests the extent to which such empirical research casts doubt upon efficacy of the profit motive. Suggestions for further research and for business school curricula are presented.

INTRODUCTION

It seems widely assumed within business schools (a) that profit is good and (b) that the pursuit of profit is good. Both (a) and (b), of course, presumably contemplate the regulatory constraints of a modern society. Within such context whatever the government should not do might seem best handled by for-profit organizations.

However, the work in various industries gets done by nonprofit organizations. Why do they exist? How are they different? Can they match the for-profit model? These questions are addressed in this paper by way of reviewing scholarly work on quality within the health care industry. The paper also raises certain implications for further research and for business school curricula.

LITERATURE REVIEW

I organize the literature review around three questions. Treatment of the first two questions is cursory since they are mere prelude to the third question, which is more interesting. I confine discussion to for-profit corporations and nonprofit corporations.

Why do nonprofit corporations exist?

Philosophical, somewhat informal arguments (e.g. Cherry, 2003; Friedman, 2007) argue for and against the existence of nonprofit organizations, sometimes in terms of social equity. I rely instead on arguments that seem closer to the management literatures.

Arrow (1963) suggests (p. 860) that nonprofit hospitals may exist for either of two reasons. First, they may reduce the cost of health care to the patient, presumably because the care would come without a profit margin mark-up and, presumably, because the nonprofit structure facilitates subsidies from donors. Second, because the hospital does not seek to make a profit from illness and injury, it may not arouse the suspicion among prospective patients that a for-profit hospital might. For-profit status thus would provide a level of comfort to persons who did not understand the medical services involved.

Arrow's two suggestions get endorsed and elaborated upon in Hansmann (1980). Hansmann, in regard to the first suggestion, explains (pp. 846-870) at length how the "nondistribution constraint" (explained momentarily) and reasonable expenditure limitation encourage the subsidies Arrow anticipates. In regard to the second suggestion, Hansmann (pp. 843-844) sees nonprofit status as a level of protection rather than merely a matter of comfort. Hansmann's views coincide so well with Arrow's views that Hirth (1999, pp. 220-221) will later refer to the general perspective as the Arrow/ Hansmann hypothesis.

How are nonprofit organizations structurally different?

Structural differences between nonprofit and for-profit corporations are substantially a matter of law. Hansmann (1980) gives a comprehensive overview of the topic, which seems, for present purposes, more or less stable up to the present time. Hansmann sees the main distinction between the two forms as the "nondistribution constraint," a useful term which he apparently coins for expository reasons (p. 838).

The nondistribution constraint means that, while a nonprofit is entirely free to create a surplus essentially identical to a profit, that surplus may not be distributed to persons outside the organization. A nonprofit thus could not pay dividends. Individuals also could not profit from sale of the nonprofit. This means nonprofit leaderships presumably face less pressure to diminish service quality as a way of increasing profits. (pp.847-851) Pauly (1987) expands in minor ways on this constraint.

The nondistribution constraint is not enough to protect against fraud. For example, it is conceivable that unethical nonprofit leadership could exploit the nonprofit corporation by paying themselves lavish salaries or reimbursing themselves for lavish expenses. Hansmann explains (pp. 852-853) that state laws make such abuse difficult by limiting salaries and expenses to what is reasonable. As Hansmann (p. 874) and others (e.g. Peregrine, 2007) note, the Internal Revenue Service also works to deter such abuses.

For present purposes, the nondistribution constraint and reasonable expenditure limitations create the main distinction between for-profits and nonprofits. This main distinction offers some justification for thinking nonprofits less likely than for-profits to take advantages of consumers

ignorant about organizational services. In other words, nonprofits would seem to inherit the moral high ground within their industries.

Even so, practitioner literature (e.g. Ricaud, 2006) and scholarly literature (e.g. Owens, 2005; Vitaliano, 2003; Dugan, 2002) suggest that nonprofit health care institutions and for-profit health care institutions may operate much alike. To the extent that they do so, the moral high ground might become of less consequence.

I turn now from prelude to the main inquiry.

Do nonprofit organizations work as well as for-profit organizations?

The discussion to follow is limited to the health care literatures regarding hospitals, psychiatric hospitals, and nursing homes. These seem the principal health care arenas in which for-profit and nonprofit quality get debated by scholars. Although some authors break nonprofits down into subgroups (e.g. Hansmann, p. 842), to include government and non-government subgroups (e.g. Sloan et al., 2001), I presently do not.

The cursory literature review made here—which limits itself to studies published in or after 2000—is not meant to be exhaustive of what could be retrieved, but should be at least loosely representative of recent academic articles.

Studies Finding Nonprofits Provide Better Quality Health Care

In a meta-analysis of 15 studies, Devereaux et al. (2002) concluded that private, for-profit ownership of Canadian hospitals was associated with a higher risk of death among patients when compared to comparable risk in private, nonprofit Canadian hospitals. The difference detected seemed slight and the meta-analysis excluded, because of data problems encountered, slightly more studies than it included.

A study by Picone, Chou, and Sloan (2002) found mortality rates of patients increased in the after math of converting nonprofit hospitals to for-profit hospitals. The researchers, however, speculated that the increase might have been attributable to the shock of change as opposed to the type of ownership.

Harrington et al. (2001) used federal data on deficiencies in over 13,000 nursing home to conclude that for-profit providers should not be entrusted with care of persons unable to protest their lack of care. In another study of nursing homes, Chou (2002) also found for-profit providers associated with lower quality care on two of four measures used.

After reviewing studies on quality differences between for-profit and nonprofit nursing homes, the Grabowski & Hirth (2003) encountered mixed findings. The authors constructed models of their own such that nonprofit market share got considered. Among the less central findings was that nonprofit nursing homes did significantly better than the for-profit homes on a majority of quality indicators, though only for at = .10.

Mark (1996), in a small study of 55 California psychiatric hospitals, found nonprofit facilities outperformed for-profit facilities on the quality measures examined.

Study Finding Nonprofits Provide Lesser-Quality Health Care

Mukamel, Zwanziger, & Bamezai (2002) examined for-profit and nonprofit hospitals in California during a period of budget stress for such institutions. They found for-profit hospitals cut back less on clinical services than did nonprofits, which experienced greater increases in mortality. The authors concede that mortality is an imperfect indicator of quality. Further, it is not clear if initial levels of clinical services were generous (and more readily cut) or austere (and less readily cut).

Studies Finding No Quality Difference between Nonprofits and For-Profits

Shah et al. (2007) looked for care differences between for-profit and nonprofit hospitals for patients of a particular heart disease operation. They found no difference, in large part because of data insufficiency. Sloan et al. (2001) also found no quality difference among hospitals by type. They measured quality only by mortality rates, but tracked mortality rates over a longer period of time than other studies apparently had.

DISCUSSION AND IMPLICATIONS

A preponderance of studies imply that nonprofit organizations deliver, in one or more narrow ways, better care than their for-profit counterparts. What could that mean?

Implications for Business School Curricula

The implications do not seem dramatic, and might be dealt with in either a strategy course or a principles course. It would seem that business students at least need to be aware that nonprofits can outperform for-profits on quality. Some students may compete with nonprofits someday. It might be useful if those students understood how nonprofit competitors might behave differently, to include their reward systems, legal nature, and access to capital.

Implications for Further Research

Although I have considered only health care, for-profits are commonplace among non-governmental organizations (NGOs), in higher education, within the arts, within organized religion, and in other fields still. While I have considered only quality, nonprofits and for-profits potentially would seem to differ in compensation, funding sources, taxation, operating practices, and views on corporate social responsibility.

To be sure, these aspects of for-profits already get plenty of attention from researchers. One speculates, however, that comparisons among for-profits only might produce less strong effects than comparisons between for-profits and nonprofits. Stronger effects thus obtained, one would hope, could result in more interesting, more useful insight into organizations generally.

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ECONOMICS OF RESOURCE BASED AND DYNAMIC CAPABILITIES VIEW: A CONTEMPORARY FRAMEWORK

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ABSTRACT

In strategic management literature, both Resource Based View (RBV) and Dynamic Capabilities Approach (DCA) have gained currency during the last decade. Despite the incredible popularity of these approaches, to date there has been a great deal of confusion about the economic basis of RBV and DCA. Viewing from the prism of unadulterated versions of Ricardo (1817) and Schumpeter (1934), this paper is a modest attempt to (i) provide a conceptual clarity about the rent generation process (ii) integrate RBV and DCA using the contemporary framework. The implications of the framework from strategic management literature are discussed.

