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ACADEMY OF STRATEGIC AND ORGANIZATIONAL LEADERSHIP JOURNAL

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LETTER FROM THE EDITORS

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ARTICLES

MANAGERIAL COMMITMENT PROCESS IN ORGANIZATIONAL CHANGE: FINDINGS FROM A CASE STUDY

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ABSTRACT

While the literature on managing organizational change abounds with descriptions and prescriptions of the crucial role of top management as a change agent, research on managerial commitment processes seems to be quite scarce. In the management literature, a position-bound commitment of management is an assumption which has not often been called into question. Systematic evidence is needed to increase the understanding of:

** What role do different managerial levels play?*
** Does management commit itself to change and how does commitment occur?*

This paper aims at answering these questions by presenting findings from an empirical case study of management commitment in the context of organizational quality improvement program. The study was conducted in a Finnish medium-sized company in the food industry. The findings suggest that managerial commitment is not based on managerial authority and position only. Commitment creation is a culture-related process. Organizational culture affects the tendency for change and commitment, in general. Managerial behavior has effect on the degree of achieved commitment on different managerial levels. The focus of commitment seems to differ between different managerial levels which implies that the division of managerial tasks has an influence on what managers commit themselves to and how commitment occurs.

INTRODUCTION

The research project on managerial commitment processes, which is partly presented in this paper, has its background in two main perceptions: 1) Commitment has become an element of the dynamics of business strategy (Ghewamat, 1991); 2) Managerial commitment processes are not well understood although management commitment is commonly stressed in the management and organizational change literature. In the field of quality management, in particular, commitment has been prescribed as a crucial requirement for the successful implementation of quality improvement. The systematic evidence of the practices seems to be scarce and empirical research is, thus, well grounded for both academic and practical reasons. This paper sheds further light on how managers commit themselves to change by providing findings from a case study focused on the managerial commitment process. A qualitative case study approach was adopted in this study, due to scarce empirical work in this area. Concentration on one company made it possible to produce empirically-grounded results through rich descriptions, in-depth analyses and thorough interpretations. Methodologically, the study can be categorized as an inductive type of research meaning that the field work played an important role.

The findings from commitment process indicate that it is related to several management and organization behavioral factors which shape commitment creation. In this case, the lack of commitment at the senior management level was related to the perceived meaning and content of change, and the strategy of change. Deficiencies in the whole management system (vague philosophy and values, undeveloped planning and goal setting practices.) had effect on the slow progress of the change program. Dysfunctional organizational culture, featured by a kind of purposeless and the lack of vision, turned out to be the ultimate hindrance for achieving high commitment among management.

Position-bound commitment of management could not be found. It appears that managerial commitment to organizational change is generated through a gradual learning process involving the adoption of new ideas, talking about them, and transforming them into actions. As senior management played an invisible role, in this case, and did not show high commitment (but rather half-hearten), middle managers' commitment remained low, too. Middle managers expected an active and visible role of top and upper management and regarded it as the most critical factor for their commitment. The lack of commitment at the senior management level was related to the perceived meaning and content of change, and the strategy of change. Although the change program was organization-wide and top management was involved in launching the program, the change strategy, that focused on constructing a quality system, aroused scepticism as a bureaucratic tool for improving operational level processes. As a consequence, from the very beginning of the improvement process, there were doubts among the management about the successful integration of the new quality system with the company's management system.

MANAGEMENT COMMITMENT IN ORGANIZATIONAL CHANGE

In managing organizational change the understanding of commitment creation and related factors is important (Locke et.al, 1988). Commitment is closely related to changes in organizational life because change requires commitment (Noe & Schmitt, 1986) In the literature on managing change, management's role as a change agent is considered significant (Beer et.al, 1990, Mezias & Glynn, 1993, Tushman & Romanelli, 1985). That is why focusing on commitment creation on the managerial level is well grounded.

As quality management has been discussed from organization theoretical perspective in prior literature and studies, it is generally characterized as organizational change or transformation (see e.g.

Olian & Rynes, 1991, Spencer, 1994, Savolainen, 1994). It has also been defined as a multifaceted, strategic change process linked with the overall development of a business enterprise (Lascelles, 1988). This change process aims at the improvement of the efficiency and flexibility of the entire business. The quality improvement approach involves the renewal of attitudes and skills and the embedding of new quality philosophy in an organization signifies organization cultural change (Crosby, 1979, Oakland, 1993, Olian & Rynes, 1991, Spencer, 1994).

The development of quality-oriented management system is an organization-wide change process, which requires management commitment (Lascelles & Dale, 1990). In the quality management literature, management commitment is depicted as preeminent, indispensable or crucial for successful quality improvement (Crosby, 1979, Deming, 1989, Garvin, 1988, Juran, 1988). Commitment is the first step in the implementation models. The quality literature lists managerial responsibilities as follows: shaping organizational culture, advancing quality awareness and values, strategic quality management, the development and communication of quality policy, setting quality goals, measuring quality costs, and directing quality management systems development. In the quality management literature, however, management commitment seems to be an assumption or a self-evident prescription which has rarely been called into question.

In managing organizational change, managerial commitment draws on one of the core concepts of leadership, interpersonal influence (Yukl, 1989), and on the important role that management plays as a change agent and catalyst. Managerial influence in commitment process becomes visible in catalyzing and effecting change through different actions. On the other hand, a managerial actor is in the process of committing him/herself, too. Any type of change requires managerial support (Mezias & Glynn, 1993), in essence, a powerful actor for leading and accomplishing change efforts. As Beer et al. (1990) contend: "corporate renewal is not an impersonal process unfolding of its own accord. It is possible only when individual managers at the unit and corporate level have sufficient commitment and skills." In the quality management literature, the managerial actor view is highlighted as an antecedent in carrying through quality improvement processes (Crosby, 1979, Deming 1985, Feigenbaum, 1983, Garvin, 1988, Juran, 1988). According to Juran's famous cliche: "management commitment is pertinent to every successful quality revolution, no exceptions are known!"

The actor perspective thus proposes that management is a "natural", active part of the dynamics of the organizational change process by which developmental actions are realized. Collaborative/ participative management style seems to be essential for the process of implanting new ideas and systems. As Hoffherr et al. (1994) put it: "the new ideology must frequently be a championed cause, introduced and sustained by one strong leader"

Commitment research has been done in the field of psychology and, as for the organizations, in the field of organizational psychology, more specifically. Commitment has been studied as organizational and work commitment. The research has mainly focused on the workforce (Locke et.al, 1988). In these studies, the individual commitment has been defined as organizational or goal commitment. Goal commitment is closely related to goal acceptance: by definition it refers to the individual's attachment to a goal or determination to reaching a goal (Locke et.al, 1988). Organizational commitment can be defined as the relative strength of the identification of an individual with and involvement in a particular organization (Modway et.al, 1979). Based on these definitions, commitment is an active relationship with an organization, not just a passive membership.

Two main approaches to studying commitment have been applied in commitment research: first, the behavioral approach, which focuses on commitment-related behaviors (overt manifestations, actions); and second, the attitudinal approach, which refers to the individual's identification with an organization and its goals (manifested in opinions and beliefs (Modway et.al, 1979). In this paper, both approaches are combined, and managerial commitment is explored by gathering data on managers' perceptions of their beliefs and actions concerning commitment.

EMPIRICAL CASE STUDY SETTING

The case study was conducted in a medium-sized, family-owned but professionally managed Finnish company. The company was in the mature stage of its life-cycle and the organizational culture was preserving, and at least, partly dysfunctional. The competitive environment of the company underwent major changes; the struggle for market shares and price competition had substantially tightened in the late 80's and early 90's. This company employed 270 workers including a few subsidiaries and the net annual sales was about 24 million US dollars.

A qualitative case study approach was adopted in this study, due to scarce empirical work in this area. Concentration on one company made a rich description possible, as well as the in depth analysis and interpretation of the data. Methodologically, the study can be categorized as an inductive type of research. In this case, the field work played an important role and the role of the theoretical work was to provide a pre-understanding for the field work.

The study was based on the Aristotelian or hermeneutical research tradition which was manifested in the adopted research strategy. As the objective was to gain a better understanding of the phenomenon (cf. von Wright, 1971), an interpretive method was applied to working with data of managers' perceptions. This method is also called an "action research type" strategy (Mäkinen, 1980) which means understanding human intentions and behavior including action in their broader and historical context. The study is a dynamic, processual description focusing on the early stages of organizational change process; i.e. on decision-making, planning and the beginning of implementation. In the case company, organizational change through quality improvement meant the development of a management system. In this process, the role of management was assumed significant in initiating and launching a new system.

The selection of the case company was first based on the criteria to get an access to a firm which had only recently started organizational change process, and, more importantly, in which the development process would be organization-wide and significant enough to draw top management's attention. The company's size and structure suit the purpose well because hierarchical levels of management and divisions of labor were found.

As regards to change needs, the company's status formed a fertile basis for the study. No systematic attempts of quality improvement were previously made. The idea of the development of a quality management system had been germinating as long as three years before the board of directors made the final decision about the project. According to managing director, the most significant pressures for change were external, more specifically, European integration and increasing competition. The rest of the top management and the middle management level, on the other hand, perceived internal change needs as the most prominent. Inside the organization, the pressure for organization-wide development was due to many emerging operational problems in different functions.

The intensive collection of mainly qualitative data was made by open-ended and semi-structured in-depth interviews with the whole top and middle management, with the project manager. In addition, a few supervisors and workers were interviewed, 16 interviewees in all. Complementary written documents were used, too, including the minutes of meetings, annual reports, in-house journals and announcements and documents of the quality system project. Temporally, the data included both past and present observations covering the period of about four years, 1990-94. All interviews were recorded and transcribed. For the analyses and interpretation, transcriptions were sorted out by themes and by managerial levels.

The following research questions were addressed to explore managers' perceptions of their role and commitment:

1. *What role does the management play?*
   ** How do managers perceive their role, responsibilities and duties in the change process.*

2. *Does the management commit itself to change and how?*
   ** How do managers perceive and experience commitment and how is it created.*
   ** What kind of measures do managers take as a manifestation of their commitment.*

RESULTS

At both top and middle management levels, perceptions of taking quality responsibility were general in nature (rhetorical). Management recognized the well-known TQM principal of "everybody-is-responsible-for-quality" but it rather seemed to be an ideal goal (depicted as espoused theory by Argyris & Schön, 1978). As a whole, managers' perceptions of quality responsibility mainly focused on how the responsibility should be shared, not how it is actually shared . Top management perceived the responsibility to be equal on every organizational level, in principal. Other managers perceived that implanting a new quality management system would assume greater responsibility to workers. - Many expectations regarding a new and better management system were expressed, such as planning and goal setting, and the clarification of organizational quality philosophy.

Concerning the management's commitment-related actions, the intensity and way of the participation varied. As a whole, a personal presence and contribution seemed to be lacking. Education and quality awareness did not seem to advance managers' commitment. Systematic training for the management was not organized at the beginning of the program and no quality advocate rose among management to propagating quality values consciously and visibly. The priority was given to constructing the quality system and quality values and philosophy was not discussed in the first place. Likewise, communication was not a managerial means for getting subordinates involved. In the involvement of subordinates, managerial actions varied from active personal participation (communication and exemplar) to nearly total passivity among both top and middle management levels.

Management's collective commitment, which was especially expected in middle management, could not be found. Part of the middle management regarded their participation as duty-bound. This group was concerned about the sufficiency of time and they mainly seemed to concentrate on daily routines. But managers spontaneously associated management commitment with quality improvement and regarded it as very significant. As a manifestation of commitment, top management declared quality policy but was not actually visible otherwise. Middle management perceived the declared policy as the "framed picture of commandments" hanging on the wall, which was not realized in daily practices. Anyway, it was a signal to the organization that top management was taking note of quality issues. The process of quality goal setting turned out to be difficult because of an elusive quality concept and management philosophy. Quality goals were discussed among managers but the development of measurement tools was perceived as difficult. For example, managers could not even estimate the amount or the class of size of quality costs. In this case, it was apparent that in implanting a new quality management system emphasis would be on the improvement of the whole management system (on the strategic and operational planning and goal-setting, in particular).

Top management played quite an invisible role but middle managers regarded its role as significant. They expected an active and visible role and considered top management commitment the most critical factor for their commitment. In addition, the support of the colleagues on the same organization level proved to be important for middle managers. The meeting practices of the management quality board illustrated the "faceless" role of the top management, as meetings were canceled repeatedly. This did not change in the course of a process. Due to this, the middle management expressed frustration and disappointment in the phase of transforming from the planning phase of the quality system to its implementation. The fact that some of the middle managers were more deeply involved in the project afforded them only a minor opportunity to compensate the lack of senior management's commitment, "ex officio".

Management perceived the commitment process individually. Some of them thought it was the easiest part, while others considered it the most difficult. This process consisted of adopting new ideas and values, taking part in discussing goals, setting and approving and embracing them. Furthermore, managers perceived the focus of commitment differently. Perceptions varied according to the management level. Middle management described commitment as a process in which the priority was the achievement of the concrete outcome, a quality system manual, and gave secondary importance to their involvement in the implementation and maintenance of the quality system. Moreover, they associated their involvement with the doing, in other words, to the progress of the construction of the quality system. Senior management, on the other hand, seemed to focus on thinking and talking, this is to say, on more philosophical discussion and understanding of the principals of quality management. Senior management willingly approved quality and regarded it as the important survival means for the company but was skeptical toward the functionality of the quality system at the same time because of bureaucracy and laborious sustenance and maintainability.

DISCUSSION

Managerial perceptions of their role and commitment reflect *conceptual and ideological imperceptibility, structural tensions and cultural and management behavior-related aspects* in the managerial commitment process (see Figure 1). Each of these will be briefly discussed in turn.

First, the vague quality concept and the expressed need to clarify organizational quality philosophy seemed to hinder efforts to introduce new thinking. This had effect on managerial commitment creation on middle management level, in particular.

Second, structural tensions appeared in the process; They were embedded in the deep-rooted hierarchies and management culture manifesting themselves in unclear responsibilities, -cross-organizational/inter-process problems, attitudes toward defects and mistakes, and willingness and maturity to take responsibility. Company culture and managerial behavior had an impact on structural tensions; The undeveloped management systems (e.g., the lack of goal setting) seemed to hinder delegation and division of tasks, which a new quality management system required. Historically seen, it was not necessary or even possible to take responsibility voluntarily, because the authoritarian management culture did not assume that. When mistakes were made they were hidden, due to fear and corrections were not even attempted. Carrying out organizational change was, thus, clearly in conflict with existing structures which formed a barrier to commitment formation.

Third, shortcomings in delegation and empowerment emerged in managerial process, in dealing with defects/mistakes, in particular. Responsibility was not an opportunity because of the lack of trust and non-delegative/non-participative management style. A tight managerial control was apt to arising feelings of threat and leading to concealing and defending behavior. This formed a vicious cycle, which even strengthened itself. These defensive routines formed a real source of change resistance (cf. Argyris, 1985).

Responsibility discussion in management reveals that the "unfreezing" phase (Lewin, 1947) of a change process may be longer due to immaturity of the organization; this is to say, incapability or unwillingness to take responsibility. Due to this, commitment formation progresses slowly. Managerial support, empowerment, and goal-setting would have been the essential elements in the advantageous implanting of the new system. Moreover, differing managerial interpretations on the effective change forces showed that a more powerful change catalyst would have been needed on the top management level. According to Schein (1985), "coercion" may be needed to bring about the change in the mature state of the organization. Finally, a question arouse: does the principle of "everybody-is-responsible-for-quality" mean that nobody is responsible for quality? If the answer is no, there was a place for major cultural change in the case organization.

Managerial perceptions discerned factors related to commitment formation on different managerial levels. Senior management commitment connected to how they perceived the meaning, significance and strategy of change (focus and procedures) as well as the magnitude of change pressure. Despite the fact that senior management supported the change program and was involved in its launching, it perceived the program as a technical-oriented and bureaucratic and doubted the implementation and functionality of the completed system. Due to this, commitment remained low. As for the change pressure, the main reason for senior management for initiating a change program was external (European integration). This kind of factor has been identified as too weak to push quality improvement initiatives effectively ahead in reality (Järvelin et.al, 1992). Middle managers commitment was related to the degree of commitment on senior and top management levels. The fact that middle managers considered top management commitment the most critical factor for their commitment highlights this point. Figure 1 summarizes the key factors related to commitment formation.

The findings support prior notions on the important role top management plays in organizational change. The findings are consistent with previous findings from the relationship between the degree of top management commitment and middle managers willingness to commit themselves. (See, for example Olian & Rynes, 1991 who found that top management commitment is crucial for the involvement of middle management).

In the commitment process, organizational culture, managerial behavior, more specifically, different management styles and the strategy of managing change emerged as factors that shaped the process. They affected willingness of managers to commit themselves and the degree of actual commitment. Organizational culture represented, in this case, the ultimate hindrance for commitment, originating in the fundamental features of culture: the sense of purposeless and lack of vision. These prominent features of the company culture were largely based on the values created by the aged owner of the company. Cultural values seemed to form a hindrance for any development initiatives in the company.

Differences in management styles at the top management level seemed to affect middle management commitment. The transactional leadership compared to a more transforming one apparently caused conflicts in change management which embarrassed middle managers; for example, unsystematic meeting practices and differing views on how to proceed with the change project. Further, the management of the change program connected to commitment formation. The program manager had adopted a quite active role or had no other alternatives, and was directing the improvement program very independently and by a highly participative strategy. This reflected the senior management's traditional view on quality management, in other words, invisibility and low commitment of top management and the insight that quality improvement was perceived as an activity which can be assumed (delegated) to quality professionals (cf. Lascelles & Dale, 1990).

Finally, the study revealed a few interesting notions on the concept of commitment and the nature of commitment process. Commitment as a psychological concept turned out to refer to the way of taking an attitude, in general. Commitment process proved to be an incremental, individual learning process in which a new way of thinking and attitude changes developed gradually. Management commitment occurred differently on different managerial levels. The focus and way of commitment diverged with the levels: involvement in quality in general, on senior management level and the constructing of a quality system, on the middle management level were proceeding separately. This emerged most distinctly, on senior management level, which stressed quality in general but was doubtful about the quality system. Middle management level, on the other hand, committed it self by doing, in other words, making the quality system. This shows that middle management and senior management commitments had different foci and that they proceeded on their own tracks and at their own rates. It is perceivable that senior management's "track" manifests organizational commitment, while middle managers' "track" rather shows an attachment to a specific goal/task. Different managerial tasks directed commitment to different foci.

CONCLUSIONS

This paper has presented and discussed the main findings of the empirical case study focused on managerial commitment process on senior and middle management levels in the organizational change process. A few conclusions and implications will yet to be made. The empirical findings open several viewpoints on managerial commitment processes and reveal forces that affect the process. First, the findings suggest that these processes are complex and that several factors shape the commitment process. Organizational, managerial factors (e.g. management style), and conceptual factors affect the process in a complex and interconnected ways (cf. Benson et.al, 1991). Managerial behavior have influence on the formation and the actual degree of commitment but this is related to organizational culture, structure and values which, in turn, are interconnected. This study discerned the dynamics insufficiently and further research is needed.

Second, the identification and interpretation of external and internal change forces in the commitment process proved to be important for managerial commitment creation. This implies that change needs and forces should be mutually discussed on different managerial levels in the early phase of the change process, in order to find the most powerful factors to facilitating managerial involvement in the whole process.

Third, conceptual skills (perceptibility) and the role of the implantation of new ideology in the development of management systems should be taken into consideration more carefully. Results suggest that implanting a new management system in the company requires stronger contribution by management to advocate ideas, concepts and values in order to create commitment and to avoid undue change resistance. Senior management's visible actions "top-down" show the significance of the change and create organizational involvement. Senior management acts as a catalyst for change which implies that, in the very beginning of the change process, it should take responsibility for propagating new philosophy organization-wide. This generates the grounds for reinforcing total involvement - and real changes in the development process. It is not a managerial talk only but sharing the ideas with the organization. To conclude briefly, the final aim is to integrate the ideological, “soft”, side with the technical, “hard”, side through committed leadership.

Finally, the study gives support for the prior findings of top managerial leadership as an indispensable requirement for successful change management. On the other hand, this study indicates that there is inconsistency between ideals of managerial commitment prescribed in the literature and actual commitment processes. It is a challenge for further research to close the gap between “espoused theory” and “theory-in-use” (Argyris & Schön, 1978). The initial findings presented in this paper are encouraging. Proposing that the organizational reality of commitment is more complex in nature than prescribed, this paper calls for commitment of both academics and practitioners to further investigations and practical applications.

FIGURE 1
COMMITMENT FORMATION

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MANAGEMENT PERCEPTIONS OF ORGANIZATIONAL CRISES: A CROSS-CULTURAL STUDY OF EGYPTIAN MANAGERS

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ABSTRACT

This study examines crisis management awareness patterns among Egyptian managers. Managers were asked to relate their degree of concern on 21 major crisis events and to provide the frequency of these events in their respective organizations. Results suggest that executives considered the perceived controllability and sources of crisis (i.e., external or internal) when planning for crisis contingencies. Implications for management and researchers are offered.

INTRODUCTION

Crisis management seeks to mitigate the consequences of potentially disastrous events in the life of an organization. Crisis events can take many forms; i.e., natural disasters, terrorist activities, product sabotage, industrial accidents, computer system breakdown, and negative media coverage (Barton, 1993). While crisis management has strong theoretical and practitioner links in the US (Crandall & Hall, 1995), little is known of crisis management awareness among organizations outside of this country. Further, little is known of how international executives plan for crises. This paper examines crisis management trends among decision makers in Egypt. As it is located in a region of intense political activity, the Middle East, Egypt offers an intriguing arena to examine crisis management issues. This rest of this paper is divided into five parts: a review of the different classifications of crisis events that have been proposed in the literature are offered; crisis management strategies are presented; an explanation of the study and data collection are reviewed; the results of the data are presented; and, implications for management and researchers are explored.

CATEGORIES OF CRISIS EVENTS

Crisis events have been classified in a number of ways. Meyers & Holusha (1986) proposed a 2x2 matrix using the criteria of control and dimension. Control refers to the organization's ability to influence the outcome of a crisis. High control crisis events include corporate takeover attempts and a threatened strike by a labor union. Low control crisis events include natural disasters such as hurricanes and earthquakes. Dimension refers to the magnitude of the crisis. High dimension crisis events can put the survival of the organization at stake. Low dimension crisis are less serious, but still troublesome. Quarantelli (1988) categorized crisis events according to intentional vs. accidental. Intentional crisis include wars, product sabotage, and urban riots. Accidental crisis events would involve those events that are unintentional, yet capable of causing major damage in terms of human and property loss. Gas leaks, air disasters caused by weather, and natural disasters would fall into this category.

Pearson & Mitroff (1993) identified "clusters" of crisis families: economic attacks, information attacks, mega damage, breaks, psycho, and perceptual. Economic attacks are external in nature and include extortion, bribery, boycotts, and hostile takeovers. Information attacks are also external and include copyright infringement, counterfeiting, and rumors. Mega damage events are severe in nature and include environmental accidents. Breaks include recalls, product defects, plant defects, computer breakdowns, employee error, and poor security measures. In their typology, Pearson & Mitroff identify breaks as a chief cause of mega damage crisis events. Psycho crisis events involve the breaking of laws and include terrorism, product sabotage, executive kidnappings, sexual harassment, and rumors. Finally, perceptual crisis events are characterized by damage to the reputation of the organization. Negative media coverage of an industrial accident would be an example of a perceptual crisis.

CRISIS MANAGEMENT STRATEGIES: BEFORE THE CRISIS

The crisis management literature is consistent in a three step approach to managing a crisis (Birch, 1994; Smith, 1990). Management of a crisis takes place before, during and after an event. Before the crisis, the three key steps that should be addressed are:

1: Form the crisis management team. The crisis management team should be in place before any crisis actually occurs. Prior to a crisis, the team's function is to develop and plan for worst case scenarios.

2: Develop worst case scenarios. A key step in crisis management is to develop worst case scenarios that are applicable to an organization's particular environment. A worst case scenario prepares management to act proactively in the best way possible to handle the crisis. For example, a Los-Angeles based luxury cruise company has developed a crisis plan in the event that one of its ships should encounter a sea disaster (Sklarewitz, 1991).

3: Define standard operating procedures (SOPs) that should be taken prior to the crisis event. The development of worst case scenarios leads to the next step of defining the SOPs that should be addressed prior to the crisis. For example, organizations anticipating a labor strike may hire out of town security guards to handle possible picket line confrontations (Vance, 1988).

CRISIS MANAGEMENT STRATEGIES: DURING THE CRISIS

A major theme in the crisis management literature is the need to communicate effectively with the public during the crisis. Brewton (1987) outlines the following three steps:

1: Focus on the public's desire for information. Crisis events such as strikes, industrial accidents, product sabotage, and employee violence crave the public's attention. The manner in which management addresses the media is an indication to the public on how the crisis is being handled. If management appears to be defensive or unwilling to comment on matters, the public will perceive this response negatively (Symonds, Javetski, Therrien, Byrne, Hamilton, 1985; Barton, 1993).

2: Appoint an official spokesperson. One person should be designated to talk with the media. This move insures that conflicting accounts do not surface from within the same organization; otherwise, management appears to be confused and disjointed.

3: Professionalize the presentation. The message to the public via the media should be communicated in a professional manner. Rushed interviews of management are not encouraged. Planned encounters with the press using formal press releases, press kits, and news conferences are desirable since they give management the resources and time to put their best positive image forward (Barton, 1993).

CRISIS MANAGEMENT STRATEGIES: AFTER THE CRISIS

The recovery phase of any crisis should focus on identifying the cause of the crisis and communicating well to key stakeholders:

1: Identifying the cause of the crisis. Crisis management research has shown that many incidents such as industrial accidents are not isolated events in themselves. Instead, the crisis was merely the last step in a series of events that began months or even years earlier (Gephart, 1987; Smith, 1990). Union Carbide's tragedy at Bhopal illustrates how the accident actually had its origins months before the MIC leak ever occurred (Shrivastava, 1987).

2: Communicating to stakeholders. Key stakeholders include employees, customers, the media, stockholders, and the local community. It is expected that management communicate the status of the crisis and its handling to the appropriate stakeholders. For example, after Hurricane Andrew hit south Florida, Miami based Burger King set up a toll-free telephone line to answer employee inquiries on the status of their jobs and to offer assistance if necessary (Mahoney, 1993).

RATIONALE FOR THE STUDY AND DATA COLLECTION

Egypt represents a unique setting for studying crisis management awareness among organizations. Although the country is developing and seeks to take on semblances of its western counterparts, Egypt is located in a hotbed of political unrest, and thus experiences its share of terrorism and uncertainty.

Western attitudes toward Egypt have improved over the past decade, resulting in significant foreign investment and joint ventures with Egyptian firms (Kate, 1994). On a more sober note, the threat of terrorism still pervades in the minds of many. International newspapers widely report violent incidents, especially those involving Westerners (Pelham, 1994). Since 1992, a total of 765 people are estimated to have been

killed or injured in Egypt by Islamic fundamentalists, including twelve tourists. The result has been heightened security, including road blocks and electronic gates at some establishments. In 1994, the US State Department's Mobile Security Unit briefed expatriates in Cairo on how to avoid being a target for terrorists.

However, the evidence suggests that Egypt is gaining ground in the war against terrorism, perhaps its greatest obstacle to economic development spurred by Western dollars (*Economist*, 1994b). Repentant fundamentalists' confessions, which challenge the fundamentalists' revolutionary appeal, are the Egyptian government's latest response to the violence that has shaken the regime and seriously threatened Egypt's $3-billion-a-year tourist industry (*Economist*, 1994a). What began as a government attempt to crack down on the non-violent wing of the militant Gamaa al-Islamiya, the Islamic Group, ended in a battle with primarily secularist lawyers. After two years of violent confrontation with the Gamaa and the Islamic Jihad, the government has met with recent success. Indeed, business leaders express few worries (Gauch, 1993), and its tourism ministry is making sure that the world knows it (Kelly, 1994). Given this background, it is feasible to assume that crisis planning in Egypt will be existent and include preparation for terrorist events as well.

Surveys were sent to 411 top executive members of the American Chamber of Commerce in Egypt. The sample included only American firms with Egyptian subsidiaries, although some of the American companies had ownership ties to firms in third countries. Respondents included top executives of American, Egyptian, and other nationalities. Stamped and addressed return envelopes were included with each survey. Although Egypt's mail system is considered to be somewhat reliable, the extent to which surveys did not reach their intended destinations or completed surveys were never returned cannot be fully assessed.

The survey instrument contained a list of the twenty-one crisis events outlined in Table 1. One set of questions asked managers to indicate their degrees of concern for each event with 1 indicating a high degree of concern while 5 represented a low degree of concern. The managers were also asked to indicate if any of the crisis events had actually occurred to their respective organizations. In addition, the managers were asked if their organizations had a crisis management team and plan in place.

RESULTS

Of the 411 surveys mailed, 88 were returned within a two-week period for a response rate of 21 percent. Although higher response rates are desirable, this sample is deemed adequate given the exploratory nature of this study and the environment in which the sample was taken. Specifically, response rates may have been affected by the sensitivity of crisis management questions asked on the survey (Mitroff, Pauchant, & Shrivastava, 1989).

Table 1 lists the different crisis categories ranked by mean according to the perceived degree of concern for each crisis. The results indicate that computer system breakdown

and fires of natural causes (means of 2.56 and 2.73 respectively) rank as the top two crisis events that cause concern among managers. Likewise, boycotts and extortion threats (means of 3.95 and 4.04) rank as the two lowest crisis events of concern.

Computer breakdowns were the most frequent crisis event with 53 organizations reporting the occurrence, representing 60 percent of the responding sample. Industrial accidents occurred in 39 organizations (44%), and fire-natural causes ranked third in occurrence with 30 incidents (34%). The least frequent crisis events were employee violence, employee kidnappings, extortion, and labor strikes, with only two incidents for each crisis event or two percent of the responding sample.

TABLE 1
Means, Frequencies, and Degree of Concern of Crisis Events (n=88)

					Degree of Concern		
Occurrence							
Type of Crisis			mean	1	2	3	4
5	#	%					
Computer Breakdown		2.56	25.0	28.4	20.5	18.2	8.0
53	60.2						
Fire-Natural Causes		2.73	28.4	27.3	12.5	6.8	
25.0	30	34.1					
Embezzlement			2.80	14.0	22.1	41.9	
14.0	8.1	25	28.4				
Bribery			2.81	18.6	22.1	27.9	
22.1	9.3	27	30.7				
Terrorist Attach		2.98	27.3	8.0	25.0	19.3	
20.5	15	17.0					
Industrial Accident		3.02	19.3	21.6	21.6	12.5	
25.0	39	44.3					
Rumors		3.08	9.1	12.5	59.1	0.0	
19.3	14	15.9					
Fire-Suspicious Causes		3.14	28.4	18.2	8.0	2.3	
43.2	10	11.4					
Government Crisis		3.15	3.5	18.6	44.2	26.7	7.0
25	28.4						
Product Failure			3.41	16.5	7.6	22.8	
25.3	27.8	23	26.1				
Vandalism			3.44	9.1	13.6	25.0	
28.4	23.9	14	15.9				
Labor Strike			3.45	22.1	1.2	27.9	7.0
41.9	2	2.3					
Weather Damage		3.55	10.2	20.5	11.4	20.5	
27.3	22	26.1					
Natural Disaster		3.55	3.4	13.6	35.2	20.5	
27.3	22	25.0					
Employee Kidnaping		3.56	14.8	15.9	11.4	14.8	
43.2	2	2.3					

Employee Violence	3.66	8.0	6.8	26.1	29.5	29.5	2	2.3
Product Sabotage	3.69	6.8	6.8	34.1	14.8	37.5	16	18.2
Customer Violence	3.72	6.8	10.2	17.0	36.4	29.5	21	23.9
Copyright Infringement	3.74	7.0	3.5	36.0	15.1	38.4	8	9.1
Boycott	3.95	10.2	8.0	19.3	1.1	61.4	3	3.4
Extortion	4.04	8.2	0.0	24.7	14.1	52.9	2	2.3

The 21 "concern" items were factor-analyzed to test for the existence of underlying factors concerning crisis events that influence the amount of concern expressed by top executives. A scree test suggested that three broad factors exist, collectively accounting for 70 percent of the total variance. Therefore, principal components analysis was conducted and forced on three factors, identified by the authors as *contingency*, *prevention*, and *avoidance*. Results of a subsequent oblique minimum rotation of these results appear in table 2.

Thirteen items loaded on the first factor, *contingency*. These crisis events are characterized by their low controllability and internal source of origin. Although management perceives itself as having limited control over the prevention of the crisis, it does have measures it can take to manage these events. Contingency events include terrorism, customer violence, vandalism, and kidnaping--items that executives perceive they have little control in preventing. Other items include fires, weather damage, and natural disasters - crisis events that are to a great extent uncontrollable but are associated with steps executives can take to manage their occurrence.

Five items loaded on the second factor, *prevention*. Like contingency events, these crises are also instigated internally. Unlike contingency events, executives perceive significant control over these crises. Embezzlement, employee violence, product sabotage, bribes and labor strikes appear to be *directly* linked to management or employee actions.

TABLE 2
Factor Analysis of Crisis Events

	Factor 1 Contingency	Factor 2 Prevention	Factor 3 Avoidance
Industrial Accident	.792	.196	.020
Product Failure	.876	.301	.290

Fires of Natural Causes	**.848**		**.198**	**.318**	
Fires of Suspicious Causes	**.717**		**.227**		**.348**
Weather Damage	**.646**		**-.083**		**-.067**
Terrorist Attack	**.719**		**.269**		**.344**
Natural Disaster	**.788**		**.136**		**-.077**
Customer Violence	**.851**		**.492**		**-.006**
Vandalism		**.609**		**.518**	**.016**
Employee Kidnaping	**.707**		**.528**		**.006**
Boycott		**.804**		**.590**	**-.069**
Extortion		**.720**		**.637**	**-.301**
Copyright Infringement		**.839**		**.668**	**.019**
Embezzlement		**.280**		**.717**	**.496**
Employee Violence	**.441**		**.862**		**-.051**
Product Sabotage	**.491**		**.828**		**.187**
Bribes		**.213**		**.744**	**.205**
Labor Strikes		**-.010**		**.912**	**.037**
Government Crisis	**.280**		**.340**		**.704**
Rumors	**.297**		**.291**	**.680**	
Computer Breakdown	**-.124**		**-.126**		**.755**
Eigenvalue		**9.52**		**2.91**	**2.16**
Percent of Variance	**45.3**		**13.9**		**10.3**
Cumulative % of Variance	**45.3**		**59.2**		**69.5**

The remaining items loaded on the third factor, *avoidance*. These events represent crises which are not instigated by any organizational players (i.e., their occurrence is perceived to be random). Hence, executives perceive little control over these events. Crises loading highly on this factor include government crisis, rumors, and computer

breakdowns. Although the latter of these would be considered somewhat controllable in developed nations, computer breakdowns may be more frequent in less developed countries where sophisticated external technology and support are not readily available.

TABLE 3
Factor Correlations & Significance

Correlations:	Contingency	Prevention	Avoidance
Company years in operation	.646 (p= .000)	-.072 (p= .272)	.425 (p= .000)
Company years in Egypt	.673 (p= .000)	-.310 (p= .004)	.338 (p= .002)
Egyptian employees (%)	-.255 (p= .015)	.606 (p= .000)	-.013 (p= .455)
Egyptian managers (%)	-.284 (p= .008)	-.071 (p= .276)	-.041 (p= .363)
Egypt revenues (% of total)	-.140 (p= .119)	-.017 (p= .441)	.233 (p= .024)
CEO experience in Egypt	-.091 (p= .223)	-.215 (p= .035)	-.228 (p= .027)

Table 3 reports relationships between the three crisis factors and items associated with the reporting executive or organization. First, those organizations with more tenure in Egypt reported greater concern for contingency (R=.6733) and avoidance (R=.3389) crises. In other words, experienced executives place less concern on events over which they believe the organization has substantial control. Seasoned executives may *already* have policies and procedures in place to deal with such crises so they focus on those that are less controllable.

Second, those executives in companies with higher percentages of Egyptian managers (R=-.2847) and employees (R=-.2552) placed less concern on contingency crises. Further, those companies with more Egyptian employees placed the greatest concern on prevention events. Hiring "locals" may be a means of minimizing less controllable crises that are instigated by internal factors.

Finally, executives with the most experience in Egypt placed the least amount of concern on prevention (R=-.2150) and avoidance (R=-.2286) crisis events. Recently transferred expatriots may experience "fear of the unknown" in their early years with the company. However as they gain experience, they also appear to develop effective strategies for dealing with these concerns.

Table 4 reveals differences between organizations with a crisis management team/plan and those without. Forty-six organizations (52%) indicated they had a crisis management team in place. Fifty-eight organizations (66%) identified themselves as having a crisis management plan ready in the event a crisis should occur.

TABLE 4
Factor Means and Differences Between Organizations
With and Without Crisis Management Teams and Plans

Management		Crisis Management Team in Place**			Crisis Plan in Place**	
		Yes	No	t-	signif.	
		Yes	No	t-	signif.	
		(n=43)(n=36)	value	level	(n=55)(n=24)	
value level						
Variable		Mean	Mean			
Mean Mean						
Contingency		.01	-.01	0.11	No	
-.15 .35	2.00	No				
Prevention		.55	-.65	6.11	Yes*	.54
-1.23 10.86	Yes*					
Avoidance		.02	-.02	0.16	No	.00
.00 0.00	No					

***.025 significance level**
****Question Wording: Does your organization presently have a crisis management team that would address these risks if one were realized? Does your organization have a formalized crisis management plan in the event that one of these risks were realized?**

Of the three crisis factors, prevention was the only one that revealed a difference of factor means between organizations with a crisis management team, and those without (t-value = 6.11). Since prevention crisis events are perceived by managers to be high in their controllability, it is not surprising that organizations with teams are higher in their concern for these types of crisis.

The same finding was true with organizations with crisis management plans. Prevention crisis events are perceived differently by organizations with a plan and those without a plan (t-value = 10.86). Once again, crisis management plans are associated with greater perceived controllability over the crisis events.

IMPLICATIONS FOR MANAGEMENT

The results of this study reveal four implications for management consideration. Specifically, managers should seek to move prospective crisis events in their organizations among cells. Such movement, when possible, can improve the organization's strategic position relative to individual crisis events.

Movement from Avoidance to Contingency. **Management strategies involve a mindset on how the environment is to be interpreted (Daft & Weick, 1984). Likewise, planning for crisis events (a subset of the environment) involves viewing the crisis in a specific manner, and then planning accordingly. While the three factors up to this point have been referred to as *categories* of crisis, the following discussion will view these same factors as management *mindsets* (and hence strategies) towards addressing these crisis events.**

Avoidance crisis are events management chooses not to proactively plan for, perhaps due to a sense of perceived helplessness (Martinko & Gardner, 1982). In other words,

management elects to avoid planning for the crisis. Such a posture however, could be disastrous to the operational effectiveness of the organization in the event a crisis should occur. Therefore, it is recommended that steps be taken to move management's perception of the avoidance crisis to a more proactive posture involving contingency and preventive planning.

Moving from avoidance to contingency involves changing the opinion that the crisis is unavoidable, and therefore unmanageable, to a more enacting phase where the crisis is viewed as possible, and therefore, treatable. For example, Egyptian managers have reported that computer failures (an avoidance event) are the most frequent crisis event they face. However, moving the strategic planning to consider that computer failures *might* occur, should cause managers to determine contingencies they can take to in the event they do occur. The most common example is to use back up files and tapes in the event of a hard drive failure.

A government crisis was also cited as an avoidance crisis event by Egyptian managers. The current mindset maintains that this crisis is unavoidable and therefore planning for it is futile. However, other multinational corporations (MNCs) have taken a more proactive stance. Royal Dutch/Shell Group, the largest oil company in the world conducts scenario planning in the event that a war should break out in the Middle East (Boone & Kurtz, 1993). While they understand that they cannot prevent a war, contingency planning enables the company to react appropriately when a conflict does occur. In fact, during the Gulf War, Dutch Shell activated their crisis management plans and re-routed their fleet of 114 tankers (Boone & Kurtz, 1993) in order to deal with the crisis.

***Movement from Avoidance to Contingency to Prevention.* It should be apparent to managers that the avoidance to contingency phase, actually represents the first step of a two step process that ultimately leads to the prevention phase. Thus, decision makers may determine that certain computer failures are not only manageable (as in hard drive failure) but also preventable (as in using surge protectors to head off a power overload).**

In a different example, rumors, another avoidance crisis, seem to represent an event that make Egyptian managers feel helpless. However, external rumors appearing outside of the organization have been successfully addressed through effective public relations measures (Barton, 1993; *Wall Street Journal,* August 12, 1991). In addition, it is recommended that internal rumors caused by employee unrest should be countered with effective organizational communication strategies (D'O'Brian, 1993). Some organizations have even gone as far as to address rumors before they have had a chance to permeate the company (Light & Landley, 1990), thus moving the organization to the prevention phase.

***Movement from Avoidance to Prevention.* While an intermediate avoidance-contingency-prevention phase is likely, some crisis planning may involve a more direct movement from avoidance to prevention. For example, computer viruses at one time represented almost insurmountable obstacles to some organizations. However, present day prevention methods involving antivirus software illustrate how these once troublesome crisis events are now completely preventable.**

As discussed, rumor control is an important element of crisis management. However, some organizations seek to prevent rumors from ever beginning at all. Such measures usually involve aggressive communication programs that link management and employees on a moment to moment basis. Television hookups throughout the plant, daily employee briefings, and close supervisor employee relationships have proved successful in addressing employee concerns and preventing rumors (Denton, 1993; Radosevich, 1993).

***Movement from Contingency to Prevention*. Perhaps the most aggressive crisis management mode is to move from a contingency mindset to a prevention stance. For example, an industrial accident is perceived to be a contingency event among Egyptian managers. In other words, it is recognized that accidents will occur and when they do, appropriate strategies are in place to address the accident. However, some accidents will eventually be seen as being preventable, and measures will be taken to avoid these events.**

Current thinking among Egyptian managers is that events such as embezzlement, employee violence, bribes, labor strikes, and product sabotage (prevention events) are manageable and in some cases avoidable altogether. Future thinking will no doubt see contingency events such as copyright infringements, vandalism, customer violence, and extortion (contingency events) also move to the prevention mindset.

One caveat should be mentioned at this point. Not all of the crisis events can be moved through the cells as outlined above. Certainly, it would not be reasonable to assume that natural disasters and weather damage are at all capable of being preventable (or as the model states, to move from contingency to prevention). These cell movements address broader issues related to crisis management as opposed to classifying every crisis into a unique factor or cell.

IMPLICATIONS FOR RESEARCH

Three implications for future research can be drawn from this study. First, replications of this study should be conducted not only in Egypt, but in other developing countries. It is possible that nation specific factors may be found to contribute to certain types of crisis events. Such knowledge could be valuable to multi-national corporations (MNCs) thinking about expanding operations in other countries. In addition, replications in a variety of environments will contribute to the refinement of a more generalizable theory of executive perception of crisis events.

Second, additional theory development is needed to effectively explain the conceptual processes that substantially impact the process by which executives plan for crisis contingencies. The present study offers a foundation for examining *how* executives view crisis events. However, the framework developed in this paper is not all encompassing and should be further developed.

Finally, future research should focus on the successes of crisis management planning and responses in the Egyptian environment. For example, in the United States, open and honest communications with the press are a favorable response in crisis management

(Barton, 1993). But does the same open access to the press hold true in the Egyptian setting? Specifically, the use of different responses in different cultures is of special importance to MNCs.

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JOB CHARACTERISTICS, LEADERSHIP, AND ORGANIZATIONAL COMMITMENT AS PERCEIVED BY MANAGERS IN THE EGYPTIAN PUBLIC AND PRIVATE SECTORS

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ABSTRACT

This paper is an exploratory study that attempts to shed light on differences between the Egyptian public and private sectors. The responses included 97 middle level managers from a wide spectrum of manufacturing organizations in the two sectors. It is hypothesized to find significant differences between public and private managers on: (1) perception of all aspects of job characteristics; (2) perception of top management leadership style; and (3) perception of organizational commitment. Results support the second hypothesis but provide only partial support and no support for the first and third hypotheses respectively. Interpretation and implication are provided.

INTRODUCTION

Literature (e.g., Perry & Rainey, 1988) has argued that the public-private distinction is a significant area of organizational research that needs further analysis. Research interest in the comparison between public and private sectors is motivated toward many purposes, including improving productivity in the public sector (Solomon, 1986) and enhancing its ability to attract professionals (Cherniss & Kane, 1990). The effectiveness of the public sector is dependent upon the effectiveness of the professionals it employs (Emmert & Taher, 1992). Not only is the public sector highly labor intensive, but it also employs large number of professional (Cherniss & Kane, 1990). Studies that attempt to explain east Asia's dynamic growth (e.g., The World Bank Development Report, 1996) have reported a strong emphasis from these countries in achieving high quality public employees and in creating effective government institutions. Achieving high quality public employees and public organizations is essential to better manage a country's national resources and enhancing its private sector competitiveness (Porter, 1990).

Unfortunately, few studies (e.g., Aryee, 1992, Cacioppe & Mock, 1984, Lachman, 1985, Solomon, 1985) have been conducting to investigate the difference between private and public managers in the international arena. The objective of this study is, therefore, to investigate differences between the Egyptian public and private managers in terms of how they perceive their jobs, their superior styles and their relationship to their organizations.

The responses included middle level managers from a wide spectrum of manufacturing firms in each sector.

BACKGROUND AND HYPOTHESES

Research has reported that Public and private sectors exhibit various differences in terms of organizational processes and structure, managerial practices, and employees' perception and behavior (e.g., Allison, 1979, Baldwin, 1987, Rainey, 1979). Variations in ownership (public or private), the source of funding (public or private), the mode of external influence (political or market), strategic constituents (customers, suppliers, etc.) or task environments (service or manufacturing) have been offered to explain differences or lack of differences between the two sectors (e.g., Hickson et al., 1986, Lachman, 1985, Rainey, 1984). The idea is that public sector organizations are owned and funded by government, influenced more by the political and social milieu, subject to several and conflicting political scrutinies and pressures, operated in a monopolistic or stable environment, and involved mainly in providing intangible services. Therefore public sector organizations lack market responsiveness and innovation and they tend to be high on bureaucratic control (high structure, formalization, standardization, and centralization) (e.g., Rainey, 1984).

Similar distinction has also been reported in studies that investigate the difference between public and private managers in non western cultures (e.g., Aryee, 1992, Cacioppe & Mock, 1984) even though public organizations in some of these countries are producing tangible consumer goods and are competing in the marketplace (e.g., Solomon, 1985).

Of the wide range of differences reported in the literature, three aspects of managerial practices are of interest here: job design, leadership style, and organizational commitments. Previous research comparing public and private sectors reveal differences in job characteristics as reported by managers in the two sectors. Public sector jobs are more restricted and bureaucratized and rated lower on Hackman and Oldham's (1974) core dimensions of skill variety, task identity, task significant, feedback, and autonomy than private sector jobs (e.g., Aryee, 1992, Caciope & Mock, 1984, Cheriness & Kane, 1987).

Furthermore, studies report differences in organizational commitment and that government employees have lower level of commitment than private employees (e.g., Buchanan, 1974, 1975). Following the previous argument, we expect managers in the Egyptian public sector to score less positively on how they perceive their jobs, their superior styles and their relationship to their organizations. Specifically, it is hypothesized to find significant differences between public and private managers on: (1) perception of all aspects of the job characteristics, (2) perception of top management leadership style, and (3) perception of organizational commitment.

The public sector in Egypt composes of the government (the executive branch) and large scale state-owned enterprises. Since the mid-1950s and up to the mid-1970, public sector organizations had played a major role in all activities of the Egyptian economy, including manufacturing of consumer and industrial goods, mining, construction,

pharmaceutical, petrochemical, banking, insurance, and all types of service. During that period, state-owned enterprises had become the biggest employer in the country and had accounted for almost the total Egyptian GDP. In the mid-1970s, an open door policy was introduced to the country, followed, during the last two decades, by political and economic reforms that found to be essential for private and foreign investment (Hatem, 1994). At the time of the study, in 1995, the public sector was still involved in providing services and manufacturing products and was responsible for almost 60 percent of the Egyptian GDP (Central Agency for Public Mobilization and Statistics, 1995).

METHOD

To account for varying orientations of organizations studied, comparative studies on similarities and differences between public and private organizations have almost followed three approaches. Some studies have compared organizations with similar purpose, such as universities or hospitals. Other studies have made across-purpose comparisons of groups of organizations that more broadly represent the two sectors. A third approach has differentiated between manufacturing and service when comparing public and private sectors. The current research followed the last approach.

THE SAMPLE

Participants in the study were 54 and 43 middle level managers from public and private organizations respectively. The sample included mainly manufacturing companies from a wide range of industries that included manufacturing, pharmaceutical, petrochemical, construction, and mining. The average organization size of the public organizations was 4,826 employees; the average organization size of the private organizations was 968 employees. Overall, public managers had more span of control and seniority and were older and less educated than private managers. The average number of subordinates who report to a public sector manager was 129; the average number of subordinates for a private sector manager was 18. The average length of service in the current organization was 21 years for a public manager; 15.5 years for a private manager. Public managers age categories included 59% in a 40 to 49 years old category and 41% in a 50 to 59 category. Private manager's age category included 14% in a 30 to 39 years old category, 48% in a 40 to 49 category, and 38% in a 50 to 59 category. Sixty-seven percent of public managers held bachelor degree and 33% held master or high diploma degree. Fifty-eight percent of private managers held bachelor degree, 30% held master or high diploma degree, and 12% held terminal college degree.

MEASURES

Managers completed an English questionnaire that included Job Diagnostic Survey (JDS) (Hackman and Oldham, 1974), top management leadership style (Korman, 1994,

Vroom, 1964), and Organizational Commitment Questionnaire (Cook & Wall, 1980). Beside Arabic as the formal language, English language is used widely in Egypt. The responses were recorded on a 5-point scale ranges from 5 (a very large extent) to 1 (a very low extent). The job characteristics questionnaire consists of 21 items represent six dimensions. Those are skill variety, task identity, task significance, feedback from managers and coworkers, feedback from the job itself, autonomy, and dealing with others.

The leadership style questionnaire includes sixteen items that focus on employees perception of the power of the organization as compared to their own power in controlling their own tasks and in reducing the level of uncertainty in performing those tasks.

The organizational commitment questionnaire focuses on respondents' feeling toward their role in the organization. It consists of nine items that attempt to tap three dimensions of commitment: identification with the organization (defined as a strong acceptance of the organization's goals and values), involvement in the organization (defined as a strong desire to put considerable effort for the organization), and loyalty to the organization (defined as a strong desire to stay in the organization) (Mowday et al., 1979, 1982).

RESULTS

All responses, from both sectors, to job characteristics, leadership, and commitment questionnaires were subject to a factor analysis (Principal Factors). Tables 1-3 show the results. Eigenvalue and percentage of the total variance accounted for are presented for each factor. The public/private sector comparisons were based on these factors treated as scales. Table 4 shows the correlations between these scales. Means and standard deviations of the scales were calculated and comparisons were done by using ANOVA. Table 5 presents the results. Details of the analyses are presented by hypotheses.

HYPOTHESIS 1

It was hypothesized to find significant differences between public and private managers on perception of all dimensions of job characteristics. The factor analysis of the job characteristics questionnaire did not result in the six-factor structure. It resulted in four factors with eigenvalues greater than 1.00 (see Table 1). The scree plot of eigenvalues strongly supported the four-factor structure and no rotation was done. Other studies report similar imperfect questionnaire structure (e.g., Birnbaum et al., 1986).

Factors 1-3 were defined in terms of combination of the questionnaire dimensions (see Table 1). Factor 1 was labeled as "Skill Variety and Feedback". Factor 2 was labeled as "Task Significance and Dealing with Others". Factor 3 was labeled as "Task Identity". Factor 4 was not used because it showed to be a less unique factor and that no specific questionnaire items were highly loaded on that factor. The total variance explained by factors 1-3 was 72.24% and their reliability coefficients were .78, .52, and .60 respectively. The result of public-private comparison (Table 5) shows only significant difference in

terms of the "Significance and Dealing with Others" scale. Its ANOVA was F(1, 95) = 79.870, p < .000. Hypothesis 1 is only partially supported.

Table 1: Factor Analysis of the Job Characteristics Questionnaire

Item	Content			Factor 1	Factor 2	Factor 3	
	Factor 4						
Skill Variety :							
1.	Variety of skills				.57		.21
	-.11	-.13					
2.	High level skills				.58		.15
	-.09	-.18					
3.	Simple/Repetitive			-.12		.17	
	.35	.30					
Task Identity :							
1.	Seeing end result			.44		-.14	
	-.22	.11					
2.	Entire piece of work			.38		-.01	
	.48	.11					
3.	A complete job				.19		
	-.15	.50		-.26			
Task Significance :							
1.	Result significantly affect others			.40		.46	
	.17	-.35					
2.	Result affects many people			.43		.12	
	.22	-.36					
3.	Job is significant			.09		.32	
	.13	.19					
Feedback from agents :							
1.	Managers & coworkers let you know		.66		-.33		.05
	.13						
2.	Managers & coworkers give feedback		.61		-.05		
	-.16	.38					
3.	Superior gives feedback				.48		
	-.29	.00		.33			
Feedback from job itself :							
1.	Job provides information			.64		-.08	
	-.18	.07					
2.	Job provides opportunity			.53		-.02	
	.06	.14					
3.	Job provides few clues			-.18		-.55	
	.29	-.10					
Autonomy :							
1.	Job provides autonomy on how to work			.24		.14	
	.03	.14					
2.	Job permits using initiative			-.06		.15	
	.47	.25					
3.	Job permits considerable freedom		.44		.05		
	-.01	-.40					
Dealing with others :							

1.	Job requires work closely with others	.14	.63	.14	.14
2.	Job requires cooperation with others	.43	.13	.10	.07
3.	Job requires working alone	.03	.30	.30	.17
	Eigenvalues (% of total)	3.65	1.53	1.28	1.12
	variance explained	40.8	17.1	14.3	12.5
	Cronbach alpha	.78	.52	.60	

Table 2: Factor Analysis of the Leadership Questionnaire

Item	Content	Factor 1
1.	There are rules & guidelines	.57
2.	Employees understand performance standard	.63
3.	Organization rewards good performance	.71
4.	Reward system clear & consistent	.75
5.	There are long range goals	.69
6.	Organization hesitant in stating long term goals	-.40
7.	Organizational problems are stated in a realistic and straight forward manner	.62
8.	Tasks are made as interesting as possible	.48
9.	There are emphases on performance and employees growth	.75
10.	The organization's leadership all powerful	.43
11.	Employees have a sense of control	.50
12.	There are independent decision making by employees	.42
13.	Tasks provide opportunity for individual initiative	.60
14.	The organization is negative towards the world & opportunities	-.43
15.	The organization willing to use mistakes as a learning experience	.54
16.	Plans are stated in a realistic and straight forward manner	.73
	Eigenvalue	5.62
	% of total variance explained	78.49
	Cronbach alpha	.82

Table 3: Factor Analysis of the Organizational Commitment Questionnaire

Item	Content	Factor 1
1.	I am proud	.56
2.	I like to leave this organization	.08
3.	I am not willing to help this organization	.06
4.	I would stick to this organization	.45
5.	I am part of this organization	.80

6.	I like to put effort for this organization	.73
7.	I would not change this organization for extra money	.47
8.	I would not advice a friend to joint this organization	.07
9.	I would be happy to contribute to this organization	.78
	Eigenvalue	2.51
	% of total variance explained	77.8
	Cronbach alpha	.79

Table 4: Correlations of Scales

				1		2	3
1.	Leadership						
2.	Commitment			$.24^{**}$			
3.	Variety & Feedback		$.43^{***}$		$.18^{*}$		
4.	Significance & Dealing		$.32^{***}$		-.04		.16
5.	Task Identity			-.09		-.11	
	$.17^{*}$	.05					
	$^{*}p<.10$ $^{**}p<.05$	$^{***}p<.01$					

Table 5: Public and Private Comparison Means & Standard Deviations

Scale			Public (n=54)	Private (n=43)	Total (n=97)
F	P				
Skill Variety & Feedback		3.61	3.81	3.70	
2.574	---				
			(0.60)	(0.64)	(0.62)
Task Significance & Dealing w/Others		2.77	4.29	3.44	
79.870	0.00				
			(0.96)	(1.64)	(1.13)
Task Identity			3.57	3.37	3.48
0.971	---				
			(0.85)	(1.10)	(0.97)
Leadership			3.14	3.50	3.30
12.740	0.00				
			(0.49)	(0.49)	(0.49)
Organizational Commitment		4.19	4.07	4.14	
0.793	---				
			(0.48)	(0.82)	(0.66)

HYPOTHESIS 2

It was hypothesized to find significant difference between public and private managers on perception of top management's leadership style. The 16 items of the leadership questionnaire loaded on only one distinctly unique factor with an eigenvalue

greater than 1.00 (see Table 2). This factor explained 78.49% of the variance and its reliability coefficient was .82. The scree plot of eigenvalues very strongly supported the one-factor structure and no rotation was done. The result of public-private comparison (Table 5) showed significant difference and provided strong support for hypothesis 2. The ANOVA of the "leadership" scale was F(1, 95) = 12.740, p < .000. Hypothesis 2 is supported.

HYPOTHESIS 3

It was hypothesized to find significant differences between public and private managers on perception of organizational commitment. The factor analysis of the organizational commitment questionnaire did not result in the three dimensional structure. Six out of the 9 item questionnaire loaded on one distinctly unique factor with an eigenvalue greater than 1.00 (see Table 3). This one factor explained 77.76% of the variance and its reliability coefficient was .79. The scree plot of eigenvalues very strongly supported the one-factor structure and no rotation was done. Other studies elsewhere report similar imperfect questionnaire structure (e.g. Banai and Reisel, 1992).

Items with negative connotation were not represented by that factor. Those excluded items were "I like to leave this organization", "I am not willing to help this organization", and "I would not advice a friend to joint this organization". The first and third items have been used as a strong indication to quit (e.g. Viscusi & O'Connor, 1984). The result of public-private comparison (Table 4) showed no significant difference. F-value was very low (F(1,95) = 0.793). Hypothesis 3 is not supported.

DISCUSSION AND IMPLICATION

This study attempts to reinforce the distinction between the two sectors by drawing a sample from a broad range of Egyptian industries. In their review of public-private distinction literature, Perry and Rainey (1988) note a lack of comparability among empirical studies due to diverse designs, measures, and dependent variables. The present study attempts to overcome this shortcoming by adopting standardized measures and focal variables similar to other studies especially non-westerns (e.g. Aryee, 1992; Banai & Teng, 1995; Cacioppe & Mock, 1984; Solomon, 1985).

Our findings seem to provide some support to the distinction between the two sectors. The significant difference was mainly in the area of leadership style. Private sector Egyptian managers reported more positive scores on aspects of leadership style such as the existence of plans and goals, employees participation, performance-based reward, interesting tasks, and initiative opportunities. This is indirectly consistent with findings elsewhere that performance-based reward is not widely used by public organizations (e.g. Mckersie & Klein, 1984) and that delegation of authority is resisted by public managers (Warwick, 1975). Explanation of these findings includes reasons of absence of clear

performance measure, such as sales and profit (Boyatzis, 1982) or existence of high public scrutiny (Warwick, 1975) and multiple and competing goals (Banfield, 1975).

In a direct comparison to another study, Banai and Teng (1995) use the same measurement in comparing public and private Russian blue collar workers and they report that public sector workers perceived significantly more positive leadership than private sector workers did. The researchers echo another study (Smith and Nock, 1980) which shows that private sector blue collar workers perceive worse human relations, as compared to public sector blue collar workers. While Banai and Teng's study includes blue collar workers, the present study uses middle level managers.

With the exception of the two items of "Results significantly affects others" and "Job requires work closely with others", there were no significant differences between the two sectors in terms of the other job design items. These findings are not consistent with findings elsewhere (e.g. Aryee, 1992; Cacioppe & Mock, 1984; Solomon, 1985). On the other hand, it is encouraging to find that public employees rating their jobs' skill variety, feedback from agents, and feedback from job itself as above average (mean was 3.61 for a 5 point scale). Similarly, public managers scored above average (mean was 3.57 for a 5 point scale) in their rating of task identity. These results are encouraging since these measurements measure job characteristics, work motivation, and job satisfaction (Hackman & Oldham, 1980). Research (Cherniss & Kane, 1987; Emmert & Taher, 1992; Hackman & Oldham, 1980) indicates that job characteristic dimensions are positively correlated with work motivation and satisfaction, turnover, and absenteeism. While the study did not attempt to measure these work related attitude and behavior, it is safe to assume that public managers will score positively on these aspects. It is also particularly interesting to find that public employees expressing level of organizational commitment comparable to their private counterparts. Buchanan (1974, 1975) finds that public managers were lower on organizational commitment. He relates that to the existence of civil service rules, political interventions and complex bureaucratic procedures.

A possible explanation of the result of comparisons of job characteristics and commitment may lie on the Egyptian government's extensive effort to improve the public sector. In fact, till recently, the basic mission of Egyptian public sector, while the country is still in transition to an open market economy, has mistakenly perceived to be mainly social, than economic, in order to minimize the side effect of privatization and the social price of leaving the economy to be dominated by the market forces. This view in large part reflects Egypt's socialist government of the earlier years.

However, in light of the rapid economic and political developments in the Middle East (e.g. recent development to establish what is known as the Middle East Common Market) and in international trade (e.g. GATT and World Trade Organization agreements), this passive view of the role of the government in the area of economic growth turned out to be incorrect. The Egyptian government has privatized state owned companies, restructured government agencies and public jobs and adopted better human resource policy. Programs like early retirement, competitive compensation, professional training, and promotion

based on performance evaluation are some features of these efforts (Sherif, 1990; Tessler et al., 1991).

Two noticeable constraints, among many others, that face efforts to improve public sector managers in developing countries. One is the traditional tension between the alleged political desire favoring entrepreneurs and bureaucratic reliance on old laws-on-the-books. A second constraint is the conflict between professionals and their employing organizations that is attributed to the incompatibility between the culture of professionalism (e.g. professional autonomy, concern for client interest) and the culture of bureaucratism (e.g. formalization and concern for accountability to social and political environment) (e.g. Sorensen & Sorensen, 1974). It seems that pressure on the Egyptian public sector from structural political and economic changes (economic reform, privatization, public sector downsizing) have contributed to reduce level of bureaucratization in this sector.

Our interpretation of the results may carry implications for the public sector. Countries, especially developing, have to put strong emphasis in developing high quality public employees and in creating effective, accountable, and responsive government institutions. Recent studies that focus on factors behind nations' competitiveness and East Asia's dynamic growth (e.g. Porter, 1990; The World Bank Development Report's 1996) indicate that governments play a growing and active role in order to achieve and sustain high economic growth and that, economically successful countries, with rare exceptions, are helping the private sector by creating factors needed to build competitive advantages. The economic capability of a nation, as well as a business firm, seems to depend not only on resources available but also on the capability of using these resources.

Related to the preceding point, many countries with rich natural resources, have not achieved high economic growth due to a lack of managerial skills. For example, countries in the Middle East have tried to import western managerial skills beside the traditional focus on technology. In fact, foreign investments are encouraged in many cases for the purpose of bringing skilled management.

Overall, this exploratory study argues that governments of developing countries can play an important role in the new world order by creating high quality public employees.

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MENTORING: A MEANS OF REDUCING EMPLOYEE UNCERTAINTY AND STRESS AFTER A MERGER

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ABSTRACT

This study reviews the factors causing mergers the affects on organizational culture, and the aftermaths of mergers. The focus is to establish a mentoring program to alleviate stress due to uncertainties resulting from mergers. This study uses the grounded theory approach that specifies no particular data-gathering instrument nor a set of analytical procedures in advance of the data collection process. Rather, grounded theory approach derives conclusions from the data. The research orientation, therefore, emerges from the analysis of the data.

INTRODUCTION

It was Charles Dickens who created the character Scrooge, the individual that fired an employee at Christmas. There was a time when Scrooge portrayed a character without the sense of human value, and there was no apparent need to displace an employee. The question now is why has this fictitious character come to life? As 1995 drew to a close 2,700 workers at Kimberly-Clark were without jobs two weeks before Christmas, as a result of a merger with Scott Paper Company. Corporations across the U.S. such as IBM, AT&T, and 3M have restructured, downsized, and merged operations. Companies used to avoid dismissing employees during the holiday season, not wanting to be casted as the cold-hearted Scrooge.

Organizations are hard pressed to produce short-term profits. Corporate America cannot raise prices and are taking a hard look at expenses. An organization's largest expense are wages. Companies are beginning to cut employee expenses and do what is needed to stay competitive within our global marketplace.

Scrooge has not emerged overnight for the current business climate was a long time in the making. As a result Scrooge has become a reality. High inflation of the 70's, the 80's, and recession of the 90's has set the stage for organizational downsizing, restructuring, and mergers. During these time frames, realities begin to set in such as: U.S. organizations were an economic condition of being over costed, and bloated, requiring relief. What took us by surprise was that we began to wake up to the fact that U.S. corporations were no longer world class competitors. What was prescribed for relief? We emerged from the

80's leaner, meaner, and essentially downsized, restructured, or merged to become more competitive within a global economy [Carey, 1990]. This paper will explore the effects of mergers on employees and if mentoring can reduce the stressful environment that mergers create.

FACTORS CAUSING MERGERS

Major work force reductions, office closings, and mergers are no longer just a reflection of a bad economy or failures in the business community. Mergers have been and remain to be the inevitable results of a progressive market where competition, automation, product development, and economic conditions formulate a company's need for maximum flexibility in deciding on the composition of the work force. Because of these conditions the phrase that has emerged in corporate terminology is "Mergers". As a result, increasing numbers of blue collar and white collar employees are affected. Investment bankers are the ones riding high on the merger and buyout era we are currently in.

Merrill Lynch's investment banking division realized overall staff reductions of about 3,000. Approximately 35,000 jobs were eliminated between June 1987 and September 1989. The sad note was that the business climate did not get brighter during the first quarter of the 90's, and another 10,000 to 12,000 jobs would be eliminated [Egan, 1990]. The ripple effect of corporate mergers can be felt, for better or worse, in all sectors of the business community. The 1980's have been called the decade of mergers and acquisitions by some. Others have tagged it the leveraged buyout and merger era, while others refer to the 80's as the decade of restructuring, or extensively reducing costs through mergers, consolidation, layoffs, and the shedding of excess operations [Sprague, 1989].

The decision to merge is invariably a strategic one, to improve the development of a business and or reposition for future growth and success. In terms of short term benefits, companies who have gone through the merging process have saved vast dollar amounts. However, regardless of the corporate savings, mergering is a personal issue for many who survive, which has an effect on the organization's culture.

There are questions that arise as to the effects of mergers. There is the question, "what are the consequences of mergers?" or perhaps, the question that should be asked is, "Is it good or bad for whom?" During and after mergers, various work groups are affected in different [and sometimes competing] ways. One of the affected groups that appears to have generated the least amount of discussion is employees within the ranks [Belohlau, 1989].

The aftermath of mergers is to be concerned about the employees who have been laid off, but studies indicate that survivors suffer just as much or sometime even more. Mergering creates operating problems for supervisors who must manage the transition and function effectively with employees who have been uprooted. A merger is an organizational change that will create feelings of anxiety within the staff. There is a downward shift in moral, performance, and productivity. While merging takes place,

attention is usually centered on the organizational level rather than on the individual employee and administrative factors. Managers must be aware that mergers create new authority coalitions, and the importance of human relations must be considered. Merging activity has indicated that in addition to employees reacting negatively, managers react in the same manner. This is especially true with managers of long term service to the company. It is likely to be demoralizing and cause ineffectiveness [Curtis, 1989, Brown, 1990, Osborne, 1990, Zemke, 1990].

All organizations have a fundamental objective which is to meet the needs and demands of the market place. The question lies in how the organization will attain this goal through a merger and strategic planning. The objective of the study is to focus on one important segment of formalized strategic planning, the management of organizational culture via changes in organizational structure due to mergers. Employee stress and the problems that arise from uncertainty regarding the organizational and employee changes that usually follow mergers have received considerable attention. Uncertainty creates stress among the employees during and after a merger that can not be avoided [Schweiger and Denisi, 1991]. Because employees will seek means for reducing uncertainty, such as reliance on rumors and other informal communications to reduce stress [Napier, 1989]. It is evident that rumors can not be an effective means of reducing stress, since they tend to focus on negative, often inaccurate information [Roswow, 1988]. According to Buono and Bowditch [1989], during merger activity, rumor mills and grapevines work overtime, leading toward more anxiety and counter productive behaviors. To that end, mentoring employees during and after a merge may reduce stress and maintain positive behavior within the organizational culture.

WHAT IS CULTURE?

From an anthropological point of view, culture is the habitual and traditional way of how humans think, feel, and react to societal problems at particular points in time. Whenever there are humans merged together, a culture emerges, especially when those people are joined to attain a goal. This would suggest that companies do have cultures within their organizations.

From an organizational point of view, culture may be viewed as the pattern of beliefs and expectations shared by the organization's members that powerfully shape the behavior of individuals and groups within the company. Managers must learn how to manage employees who are a part of a merge and orient them on how to make the new culture be more productive. Organizational cultures are not nimble and are designed not to change [Verespej, 1994]. Human resources are the center of getting things done and they must be considered during the merger process. People and the organizational culture are what can make the merger a success or a failure [Stewart, 1994]. If employees are considered during a merge, failure can be avoided when managers know how to plan the process. Problems that arise from uncertainty regarding the organizational culture and changes following mergers have been empirically investigated employing longitudinal research

designs [Schweiger and Denisi, 1991]. Employees have reported difficulties in coping with the stressful environment brought about by mergers [Ashakanasy and Holmes, 1994]. Mentoring may play a significant role in molding the organizational culture following a merger and alleviate stress.

THE AFTERMATH OF MERGERS

Merging and downsizing is not enough to prevent failure. Organizations must have a clear understanding of the impact the merge has on its employees. Corporate objectives must be viewed beyond time elements and costs [Stow, 1993]. Getting the new organizational design to fit around the work to be done and getting management to agree on how to implement change. Mergers usually result in fewer, more highly skilled people doing more complex work. The other result is there are fewer job descriptions and less hierarchy. Many human resource departments are hard pressed to create new compensation and benefit structures to reflect the changes caused by the merge. New performance measures need to be designed [Thomas, Michael, 1994, Bergman, 1994].

It is often that mergering efforts falter because team members do not understand the organizational objectives and lack common knowledge of each others jobs. The result is usually employees being bogged down in an attempt to sort out issues such as who and how [Patterson, 1994]. Employees get confused after a merge. They can not find things such as supplies, do not know who to ask, and do not know their own phone extension numbers. Rumors take over and become prominent. The managers become so focused on the merge and new tasks that they neglect the emotional reactions of the employees involved in the merge. Employees become passive because the feeling of uncertainty mounts [Kanter, 1990]. Merging has some promises to transform organizations, the difficult part is taking the theory and putting it into practice [Manganelli and Klein, 1994].

When General Electric bought 80% of Kidder Peabody and Company, G.E.'s management thought they could cope with Peabody's cultural differences. Just about anything that could go wrong with a merger occurred. The confusion began, and the cultural differences clashed. Kidder people were competing with General Electric people when they should have been cohesive. As a result, widely separated views developed between them, and the previously high profits of Kidder began to dwindle. Thus began the fallout of successful Kidder managers, and anxiety set in for those who remained [Swartz, 1989]. This represents an example of the human condition that even though humans live in a constantly changing environment and are capable of adapting, they feel anxiety while their culture is being disrupted. Every firm has its own organizational culture that influences most of what happens within the company.

The G.E. and Kidder merge in the late 80's indicated disruption and confusion. To that end, mergers continue in the 90's. The Associated Press [1996], reported that Bradlees has consolidated its management structure. Bradlees has shifted all of its regional duties back to their headquarters and moved the district managers into stores. This merge will result into a consolidation of all operating regions down to two. This is a

reduction from 5 units into 2. This is an example to show that merging of employees does not necessarily mean the joining of two organizations, but also indicates that when organizations restructure and consolidate employees, a merge of employees is taking place. AT&T will issue pink slips to 2,000 employees during the month of January 1996. The total number of AT&T employees to be eliminated will be 40,000 within 3 years. Of these 40,000 jobs to be lost, 60% of the job eliminations are expected to come from the management ranks [Conroy, 1996]. These cuts will result into the merging of thousands of jobs. TJ Maxx and Marshall's merged in order to compete. Mayfair Super Markets merged with Edwards Super Food Stores eliminating merchandising and purchasing jobs and consolidated the remaining jobs [Schlegel, 1996]. The question remains, how will these mergers and internal consolidation affect employees?

Hundreds of organizations have gone through the pains of restructuring and merging. On paper, these plans may have looked sensible. The question remaining is, has quality and efficiency suffered? This research is indicating evidence suggesting that there is a backfiring effect. These reorganized organizations have lost people who care, and leave behind employees who become defensive [Heckscher, 1995]. Mergers leave employees uncertain for months even years and this human condition must be addressed.

WHAT ARE THE EFFECTS TO THE HUMAN CONDITION?

A study was conducted on 194 subjects to determine the effects on people when they experienced loss. It was found that motivation and decision making are closely related. Decision making depends on motivation. Decision theory and affective factors seem to meet one another in the loss aversion phenomenon [Kahneman, 1979, Tuersky, 1977]. The term loss aversion refers to the finding that people have a tendency to consider a loss to be greater than gain, when they experience a loss. If this is the case, managers should be aware that when employees experience the loss of their current environment, there is an adjustment to be made on the part of an employee. As one can detect there is a definite effect on the part of one's motivation [Wilker, Hamman, Douglas, Anastasin, 1995]. It must be realized that when employees experience change, emotions build when they experience loss, emotions run high.

According to Roseman, Wilst, and Tamara, [1994], when humans experience fear they respond in the following manner: Feel a pounding of the heart, they think of how bad things could get, fell like running away, want to get to a safe place. Fear can also lead to sadness causing some of the following responses: A feeling of a lump in the throat, overtaken by tiredness, they think of what they are missing, feel like doing nothing, some cry, want to be comforted, and have a desire to recover [Roseman, Wiest, Swartz, Tamara, 1994]. If employees experience fear which leads to sadness it is likely they will become discouraged. This brings about the question of what happens to their work ethic?

Organizational restructuring and mergers effect employees in many ways. Those who are terminated and the ones retained all experience motivational problems. Research has indicated that environmental factors associated with mergers is a factor that influences

lower motivational work ethics among able bodied individuals [Zippay, 1995]. According to Wilson [1987], as upwardly mobile individuals leave jobs, the ones that remain lack employment opportunities, role models, and job contacts. These constraints, in turn, diminish job-preparedness behaviors. As a result, individual attitudes toward the future of their families, home ownership, and source of income, are effected. It is evident that mentoring programs for workers would be beneficial at changing employee attitudes toward work and the organizations that employ them.

RESEARCH METHODOLOGY

This research aims to determine the extent to which organizations engage in behaviors which are normally associated with the process of a merger. The focus is on the use of a mentoring system during periods of increased stress resulting from mergers.

This research examines mentoring as a potentially useful resource in an organization's adaption to the rapid changes that occur during and after a merge. This study examines the role of mentoring as a resource for learning and coping with a major organizational change. Mentoring is a sponsorship system, where managers take a personal interest in developing their proteges.

Research on organizational socialization and behavior has demonstrated that a professional's adjustment to the organization is directly affected by the organization's methods of socialization [Blank, Siegel, & Rigsby, 1991; Buchanan, 1974; and Berlew & Hall, 1966]. Faced with an ambiguous organizational context, new employees attempt to make sense of this setting. The nature of their behavior is conditioned by their prior knowledge, and the organizational provides additional information. The organization continually attempts to enhance communication through its socialization practices [Jones, 1983; Bell, 1985; Dean, Ferris, and Konstans, 1988; Mendelson et al., 1989].

Kram [1983; 1985] conducted in-depth interviews of mentors and proteges. She found that the mentoring relationships serve two separate and distinct functions, career and psycho-social development. Career development includes such attributes as sponsoring work assignments, promoting employees' exposure and visibility, and providing political support to employees. The career function helps proteges in professional development and acquisition of power [Fagenson, 1989]. The psycho-social function provides the protege with social acceptance and friendship [Hunt and Michael, 1987].

The two functions provide different individuals with different benefits. The career development function helps prepare entry level employees for career advancement, while the psycho-social function enhances professionals' sense of identify and develops high levels of competence and self-evaluation [Noe, 1988]. Most studies have determined that the psycho-social function defines the mentoring relationship significantly more than the career development function [Gould, 1978; Hunt and Michael, 1983, Hunt, 1987; Noe, 1988; Burke, 1984; Mendleson et al., 1989; Dreher and Ash, 1990; Gregson, 1990; Kram and Brager, 1991; Poneman, 1992; and Scandura, 1992].

The results from organizational studies differ from Dirsmith and Covaleski's [1985] findings that socialization is not as significant as mentoring at lower professional levels. They attributed these outcomes to the technical nature of public accounting and the relatively formal socialization process associated with Big Six accounting firms. By defining the social context, organizations can shape, mold or coerce newcomer responses through task assignments, supervisory practices or cultural premises [Katz, 1978; Van Mannen and Schein, 1979; and Schein and Van Mannen, 1977].

Additionally, empirical evidence indicates that formal and informal socialization practices may effect the level of organizational commitment [Berlew and Hall, 1966; Buchanan, 1974; Aranya and Ferris, 1984; Aranya, Lachman, and Amernic, 1982], longevity in the organization [Katz, 1978, 1989; Wanous, 1973, 1980], satisfaction and feelings of personal worth [Feldman, 1976] and role orientation [Graen, Orris, and John, 1973; Siegel, Blank, and Rigsby, 1991].

Organizations vary widely in the extent and range of their programs for new employees. Most of the organizations have some type of formal or informal guidance programs, information exchange, or mentoring process to help employees learn their way around, and to assist senior members of the organization in the evaluation of newcomers. Often, the formal programs provide orientation lectures describing the organization's ideology and other indoctrination procedures. Such programs are designed to ensure organizational commitment and to instruct newcomers so that they can participate fully and knowingly in the organization's activities [Buchanan, 1974; Dalton and Thompson, 1986; Hall, 1986; Hayes, Wheelwright, and Clark 1988; Meyer, 1976; Tichy, 1983].

Twelve developmental relationships in two organizations that had recently merged were studied. The method used was interviewing pairs of junior and senior professionals involved in significant relationships with one another. Methodological decisions were generated by the research approach emerging from considering the interaction of the research question, procedure, and person researcher [Reinharz, 1979; Kram, 1983; Blank et al. 1991].

The exploratory nature of the research problem called for a flexible data collection method that would accommodate unforeseeable aspects of the events to emerge. The emphasis on the professionals' subjective experience of the relationship as the primary data for understanding the relationship's fundamental characteristics required in-depth interviewing of a relatively small number of individuals. This process provides the researchers with sufficient time to explore the relationship at length by obtaining personal accounts from each member o the pair. This method encourages an exploratory relationship of considerable familiarity during the joint task of investigating the meaning of the association in an individual's career history. This allows acquisition of cogent informational and the promotion of mutual learning for both the investigator and participants [Glaser and Strauss, 1967; Kram, 1983; Kram and Isabella, 1985; Siegel et al, 1994].

The present study investigates the relative significance of two mentoring functions: career and psycho-social development. Using the results of prior studies [Dirsmith and Colvaeski, 1985; Burke, 1984; Kram and Isabella, 1985; Siegel et al., 1994], the importance of each of these mentoring functions can be analyzed directionally. As suggested by Siegel et al. [1992], the study included the firms' organizational culture as an additional explanatory variable. The study considers the following questions:

1)	**Does a formal or an informal mentoring system more effectively enhance career development of an accounting professional?**
2)	**Is the psycho-social function or career development function more significant to audit professionals during periods of stress?**
3)	**Does the firm's organizational culture impact the effectiveness of mentoring and the type of mentoring structure?**

RESEARCH DESIGN

This study uses the grounded theory approach by Becker, Greer, Highes, and Strauss [1961] and Glaser and Strauss [1967]. Unlike classical research designs that begin with a well-defined, testable set of hypotheses, grounded theory specifies no particular data-gathering instrument nor a set of analytical procedures in advance of the data collection process. Rather, grounded theory approach derives conclusions from the data. The research orientation, therefore, emerges from the analysis of the data [Blank et al., 1991]. The questionnaire used in this study was developed from prior studies using the grounded theory methodology [Kram, 1983; Kram and Isabella, 1985; Blank et al., 1991; and Siegel et al., 1994]. The first section of the interview questionnaire contained demographic questions, and the second section had questions dealing with the career history and the mentoring relationship. The final section included the pivotal question that lead into other questions concerning the nature of developmental relationships.

The interviewing techniques utilized the methodology developed by Kram and Isabella [1985] and Blank et al. [1991]. The techniques included components of a structured research design [i.e., a detailed set of interview questions], critical interviews, and informal discussions. The interviewers explored other issues that emerged during the interviewing process.

Before conducting the interviews, the researchers discussed possible biases among the sample group arising from perceptions of the nature of the study. The likelihood of pre-existing ideas which individuals may have formed regarding mentoring relationships was considered. For example, some individuals may have been reluctant to discuss the formal mentoring system since the system is used for evaluation.

The preliminary discussions alerted each interviewer to his or her own potential bias in collecting data. Exchange between interviewers during the data collection process provided the researchers with the opportunity to identify and deal with the problems that may have developed during the course of interviews. In addition, the interviewers

discussed and analyzed emerging topics beyond the original research focus. The monitoring process significantly strengthened the ability of the researchers to reduce the problem of interviewing bias and to updated research expectations [Kram and Isabella, 1985].

Junior professionals were interviewed individually for two 45-minute sessions. During the first session, the principal task was to review the junior professionals' career history and to explore their significant relationships with senior professionals. The second interview session explored relationships with senior professionals who had been important in the junior professional's career. This task was accomplished by reconstructing significant events in the unfolding relationship and by following the thoughts and feelings that the junior professionals expressed in the interview.

The essential question at the end of the first interview [Who took a personal interest in your career development?], established the core of the enquiry for the second interview. Junior professionals reviewed their thoughts in order to select the individual they wanted to talk about in the second interview. The identified senior professionals were then contacted and invited to participate in a parallel interview sequence. The senior professionals were introduced to the study by reviewing how junior professionals identified them as those who had advanced their career development.

The interview with the senior professionals was similar to the second interview with junior professionals. The history of the relationship was discussed and the senior professional was encouraged to describe his or her experiences in the relationship as a significant circumstances were identified. The follow-up session with the senior manager sought to explore the seniors' career history. The purpose of this segment was to clarify how the relationship with the junior professional developed.

This research approach has intervention importance since it enables the researcher to ask additional clarifying questions when necessary. Efforts were made to minimize negative consequences which included: debriefing at the conclusion of each interview sequence; careful connecting of processes from the junior to the senior professionals in order to ensure the confidentiality of all interviews; and using a feedback report asking the participants to contact the researchers if they had any questions.

In order to compare the effect of different corporate cultures upon the mentoring structure, 54 subjects in the sample were randomly selected from different professional levels of two regional public accounting firms that recently merged. Prior to the merger, each firm had a different corporate culture, one being autocratic and structured, the other open and less structured. Schroeder, Reinstein, and Schwartz [1992] found that firm structure was significantly related to firm culture in CPA firms. Demographics of the participants appear in Table 1.

Table 1: Demographics of Participants

	Initial Group	Secondary Group
Totals		

By Position:	Total Interviews	34		20
54				
	Staff		12	
00	12			
	Senior		08	
04	12			
	Manager	14		08
22				
	Partner		00	
08	08			
By Gender:	Total Interviews	24		30
54				
	Male		14	
21	35			
	Female		10	
09	19			

The grounded theory approach focuses more on content analysis than on quantitative variables. Due to the voluminous amount of information, the method requires relatively small sample sizes [Siegel et al., 1994; Blank et al., 1991]. Even though, two regional firms in a major U.S. city might not represent all such firms throughout the country, the diverse makeup of the firm's professionals reflects a population composition similar to that found in other studies [Wright, 1988; Rasch and Harrell; 1990; Blank et al., 1991; Siegel et al., 1994; Siegel and Rigsby, 1988].

RESULTS

This study was based primarily on an inductive process in which hypotheses concerning developmental relationships were suggested and revised as interviews were conducted. As the numbers of relationships in the sample increased, themes and categories began to surface, illuminating recurring patterns in the data. These themes and categories formed the foundation for the conceptual model of the mentoring relationship.

Delineating the conceptual model involves considerable use of illustrative quotations from the data set, including intuitively sorting the data base, identifying the organizing concepts, and then clarifying the connection between concepts and data. An informal test of the usefulness and accuracy of the development of the analysis emerged early in the interviewing phase. Case material [data] that could not be used effectively to illustrate a concept were deemed inadequate or inappropriate for the analysis [Blank et al., 1991]. The more the account of professionals could stand alone in illustrating the emergent analysis, the more credible was the conceptual understanding. Specific research questions which emerged from the analysis of data follow.

Does a formal or an informal mentoring system more effectively enhance career development of an accounting professional? The data bearing on this question as shown in Table 2 reveals a surprising pattern. Professionals at each level indicated a significant preference for the informal system [the Chi Square was significant at a .0001 level].

Table 2: Mentoring System Preference by Organizational Level			
Organizational Level	Formal System	Informal System	Total
Staff	03	09	12
Senior	02	10	12
Manager	03	19	22
Partner	01	07	08
Chi Square 29.017	p = 0.001	df=3	

These results suggest that individuals who find themselves under stressful working conditions are inclined toward informal mentoring structures and other developmental alliances. These findings are in contrast with Siegel et al. [1993, 1994] and Siegel and Reinstein [[1994], and Viator and Sandura [1991]. These studies found that newer staff members favored more formal mentoring relationships. Our perspective in this study is to call into question the finding that formal mentoring relationships. Our perspective in this study is to call into question the finding that formal mentoring is least available when it is needed most.

When individuals experience rapid change, learning demands are heightened. The merger in this study necessitated new technical and interpersonal skills requiring increased formal mentoring. However, the merger reduced the availability of an adequate formal mentoring structure. The individuals who recognized that formal mentoring was not available, therefore, indicated a preference for informal mentoring [Kram and Brager, 1991].

Is the psycho-social function or career development function more significant to audit professionals during periods of stress? Data shown in Table 3 suggest that employees experienced significant increases in stress and uncertainty which resulted from the merger of the two CPA firms. As the work environment became more frustrating, the prospect of mentoring became more appealing, strengthening perceptions that the psycho-social aspect was important.

Table 3: System Type Preference by Organizational Level			
Organizational Level	Psycho-Social	Career Development	Total
Staff	05	07	12
Senior	09	03	12
Manager	18	04	22
Partner	05	03	08

Chi Square 62.905	p=0.001	df=3

It is commonly assumed that individuals who feel secure about their professional accomplishments are not likely to embrace mentoring alliances. However, this study suggests that these individuals are inclined to seek out psycho-social mentoring relationships. These findings are consistent with Kram and Hall's [1989] results on restructuring and mergers of industrial firms. They pointed out that, as perceptions of job pressure increased, attitudes toward mentoring shifted from career development to psycho-social development.

Does the firm's organizational culture impact the effectiveness of mentoring and the type of mentoring structure? Previous research indicates that the extent to which mentoring is available during stressful periods is likely to be influenced by the nature of the organizational context [Kram, 1988 and Kram and Brager, 1991]. These studies show that individuals are more likely to seek out and form mentoring (supportive) relationships in settings with a history of open communication and high trust, than in organizations with minimal communications across different levels.

Our results do not substantiate the findings of previous studies. Data reported in Table 4 indicates that individuals working in a more structured environment are more willing to seek mentoring relationships. In the less structured firm, failure to communicate leaves employees uncertain about their future thus creating a great deal of stress. In such situations, employees seek other means of reducing uncertainty such as reliance on informal communications [Schweiger and Denisi, 1991]. However, informal communications are not an effective means of reducing anxiety. Rosnow [1988] noted that during mergers and acquisition activity, informal communications lead to dysfunctional outcomes such as low organizational trust and less mentoring.

Table 4: Mentoring Preference by Type of Organizational Structure

Firm Type	More Mentoring	Less Mentoring
Open	16	06
Closed	24	08
Chi Square 13 p=0.001	df=1	

SUMMARY AND SUGGESTIONS FOR FUTURE RESEARCH

Contrary to expectations, it was found that individuals in their mid-career are more positively inclined towards the psycho-social aspect of mentoring. In contrast, junior employees who are still in the advancement stage continue to see mentoring as an effort that will be helpful to them in furthering their goals.

It appears that mentoring relationships may offer an antidote to stress, providing a scope of support to both junior and senior personnel. Such developmental relationships appear to become more visible during stressful periods. Employees who are under stress may be more inclined to actively seek mentoring alliances than during periods of certainty.

Individuals in the late or middle career who are experiencing anxiety due to blocked opportunities may find mentoring to be an important source of confirmation and self esteem.

The observed relationship between psycho-social mentoring and rapid organizational change is consistent with the psychological perspectives on the role of interpersonal relationships in reducing anxiety and stress [Kram and Hall, 1989]. Relationships between juniors and more experienced personnel or between peers that provide mentoring functions offer the type of support that increases employees' abilities to cope and to maintain self esteem under substantial stress.

The extent to which mentoring is important during stressful periods is likely to be influenced by the nature of the organizational context. This study found that individuals are more likely to form supportive relationships in a formal communication environment. Similarly, the organizational cultures that value personnel development and interpersonal relations will be more conducive to drawing on the support that mentoring has to offer in stressful times.

An important implication of this analysis is that individuals and organizations may have overlooked the potential of mentoring can be more effective in promoting the psycho-social aspect of mentoring, thus reducing anxiety and stress. This study provides an agenda for further research and implications for practice. Those individuals seeking mentors as well as those in a position to encourage the mentoring process should expand their target groups to include individuals at all career stages. A critical question about mentoring that remains to be explored concerns whether individuals perceive junior or senior colleagues as potential supporters or threats during stressful periods.

Mentoring could be an adaptive response to stress induced by restructuring. In that perspective, it needs to be explored whether mentoring serves as an antidote to career plateauing that is associated with corporate restructuring. In addition, there are a number of creative strategies that are available to enhance unexplored mentoring activities. For example, altering jobs so that they are structured to require collaboration between individuals at complementary career stages and changing organizational culture so that relationship-building is a priority.

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SMALL CPA FIRMS: WHAT DO THEY OFFER EMPLOYEES?

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ABSTRACT

The paper reports the Human Resource Management practices of 355 small CPA firms. Based on the results of a national survey, it discusses firms use of contingent workers and their selection, compensation, and benefits policies. Strategies for attracting employees are suggested.

INTRODUCTION

The industry in which CPA firms exist has changed drastically in the last decade, in several ways. The traditional "Big 8" have become the "Big 6," firms, providing more capital and expertise for that area of the market. For those firms and for the smaller firms in the industry, the nature of the market has also changed. Clients have changed their expectations for the nature of services provided by CPA firms. Providing historical financial statement data and tax preparation, while still important, are no longer a sufficient service base to serve the financial needs of many clients, who demand specialized services, such as consulting on business questions. Clients also are more cost conscious, often questioning the value of services provided for a given cost.

Managers of CPA firms are finding that the labor market from which they must recruit the employees to provide these services has also changed. Demographic changes in the college population and the labor market have drastically altered the pool of new accountants. Due to a smaller labor market in general, cultural changes in the US population, and the increasing number of women in the workforce in general and in accounting in particular, the traditional accountant, the white male, may actually be a minority in workforce entrants by the turn of the century (Zarowin, 1991).

THE STUDY

Within this changing environment, the small CPA firm is an important entity. The AICPA reports that 34 percent of CPA firms are classified as having between 2 and 9 accountants and that between 40 percent and 45 percent of new undergraduate accountants have their first employment experience in these firms. The ability to hire and

retain employees is crucial for these firms. There is a perception that the employees of small firms are at a disadvantage compared to those of large firms in terms of human resource-related considerations, such as professional training, pay, and fringe benefits [Wheeler, et al. (1987), 'Regional Firms..' (1993), Craig (1990), Craig, (1991)]. While the human resource policies of large CPA firms are often reported in the accounting literature, no thorough description of the human resource policies of small firms has been reported recently.

This paper reports the results of a national survey of CPA firms conducted in Fall, 1995. The questionnaire addressed the human resource management practices of CPA firms. In particular, this study focuses on the human resource management practices of firms with fewer than 10 accountants, but which are not sole practitioners. These results should be of interest to both prospective employees of small CPA firms, for career planning, and the CPA firm managers in developing firm policies. In the following sections, we report data on rank in firm, selection strategies, use of contingent employees, employee benefit offerings, compensation, and policies concerning drug testing and sexual harassment. We also discuss strategies these firms may use to attract and retain employees that can allow them to compete without additional fixed-cost benefits packages.

SURVEY METHODOLOGY

A questionnaire was devised in Fall, 1995 based on accounting practice management and human resource management literature. It was pilot-tested on accountants from two firms. The mailing list for the survey was purchased from the AICPA and was drawn from AICPA members who listed Practice Management as an area of interest from each of 5,000 CPA firm offices chosen randomly from within the United States. The list was checked to ensure that no multiple mailings went to the same office.

Each of the AICPA members was mailed a three-page, two-column questionnaire which addressed the human resource management practices of the firm. The cover letter and the return envelope (not postage paid) bore the letterhead of the university, and the researchers identified themselves as professors. Questions addressed a wide range of policies, from the use of part-time and temporary employees to the administration of performance appraisals. Respondents were not asked to identify themselves, but they could include a business card with their questionnaire if they wished to receive the results. Of the 5,000 mailed, 110 were returned unopened to sender and 742 were completed and returned, yielding a 15 percent response rate. Of those returned, 355 were identified as having between 2 and 9 accountants, with an average of 5. Thus, the sample for this analysis is small firms, excluding sole practitioners. Ninety percent of the offices responding were local firms; 7 percent were branch offices of a regional firm; 2 percent were main offices of a regional firm; and 1 percent were branch offices of A national firm. The responses came from 48 different states. Table 1 shows the break down of the firms by rank of the accountants.

Table 1: Average Size, Gender and Race Composition of Firms by Rank [1]

	Total	Female
Minority		
Partner	**2.23**	**.30**
0.6		
Manager	**.60**	**.25**
.03		
Senior	**.81**	**.42**
.04		
Staff Acct	**1.40**	**.85**
.07		

[1] The entry-level position for most CPA firms is staff accountant. The typical structure of a CPA firm has three levels of management above staff accountants: seniors, managers, and partners.

The average number of partners is 2, the mode is also 2, with 42% of the firms reporting 2 partners. Ninety-six percent have fewer than 5. Only 22% of the firms have a woman partner; only 4% have a minority partner. Many of these firms have relatively flat structures; most (58%) of the firms have no managers and 45% have no seniors. There are fewer than 4 staff accountants in 72% of the firms, with 23% reporting none. Women are employed as staff accountants in 57% of the firms; minorities in 5%.

USE OF CONTINGENT WORKERS

Much has been written in lately about the use of 'contingent' workers, such as temporary and part-time employees, by American firms to handle temporary workloads and to reduce threats of layoffs of full-time permanent employees. Part-time employees are those associated with a particular employer, but who work fewer than 30 hours a week. Temporary employees are not considered employees of the firm, and may be contracted through an outside agency, such as Accountempts, a large employment agency that specializes in the placement of accounting, financial, and bookkeeping professionals (Messmer, 1991). Our survey found that while most small CPA firms do not use part-time employees, even fewer of them use temporary employees, even for clerical positions during tax season. Table 2 reports the percentage of firms that report using contingent workers.

Table 2: Percentage of Firms Using Part-Time and Temporary Employees

			Part-time		
Temporary					
		Tax season	**Non-tax**	**Tax season**	**Non-tax**
Accounting		**35%**		**21%**	
21%	**4%**				
Clerical	**39%**		**26%**		**19%**
5%					

Only 35% of the firms use part-time accountants, even during tax season. When asked why they use temps, the only reason given was to handle unusual workloads. Of those that use part-time employees, 52% use them to handle temporary workloads, 35% use them because of employee choice, and only 11% use them to avoid layoffs or to prevent paying benefits. It appears that small CPA firms are more likely to use part-time than temporary, but they do not use either type of contingent worker greatly.

HUMAN RESOURCE MANAGEMENT PRACTICES

Craig (1990) reports a perception by practitioners and accounting faculty that accounting students prefer large firms over small firms for initial employment. Accordingly, the partners in small firms tend to use networking and job fairs to make initial contact with students. Accounting firms are also well-known for recruiting from particular universities and selecting primarily on the basis of GPA. Our survey asked the firms to rate several selection devices on their importance in making a decision to select an applicant. Table 3 presents the percentages of firms that rated each selection device as highly used.

Table 3: Selection Devices Rated High in Important (4 or 5 Rating out of 5)

Interview	56%
References	55%
GPA	51%
College Attended	27%
Portfolio	32%

It appears that GPA is important in hiring, but that candidates' performance in the interview and the references provided by the applicant are at least as, if not more, important. The particular university attended appears not to be important to most firms, and they appear not to require applicants to provide portfolios of previous experience. In response to a question regarding recruiting women or minorities, less than 10% of the firms reported engaging in any special efforts such as targeted recruiting.

BENEFITS

Benefits have long been shown to attract and retain employees (Lawler, 1986), and smaller employers in general provide fewer benefits than do larger employers (Zarowin, 1991). This has been shown to be true for smaller CPA firms ("Regional firms...", 1993). In our survey, firms were asked if they paid for or contributed to the cost of several basic employee benefits, as displayed in Table 4.

Small CPA firms offer few benefits beyond the basics of medical insurance and life insurance. This is probably due to several factors, such as lack of demand by employees,

inability to take advantage of cost savings due to group rates, and lack of ability to pay for many benefits. While practically none of the firms offered even child care referrals, 17% did offer employees the ability to set up pre-tax set-aside accounts for child care expenses.

Table 4: Percentage of Firms Offering Benefits

	Cost Shared	Paid by Firm by Employee
Major Medical	**59**	**25**
Dental Insurance	**13**	**12**
Life Insurance	**55**	**6**
HMO/PPO	**11**	**8**
Pension	**35**	**16**
Childcare	**.8**	**.8**

Beyond traditional employee benefits, accountants must be concerned with professional benefits, because of certification and on-going professional development requirements. Our survey asked about three areas, graduate studies, continuing professional education (CPE), and the CPA exam.

In terms of graduate work, we asked about three different degrees, the Masters of Business Administration (MBA), the Masters of Professional Accountancy (MPA), and the Masters of Taxation (MTAX). Fewer than 8% of firms pay for tuition for any of these degrees across the board, but 14% reported they pay tuition for the MTAX and 11% for the MBA on a case-by-case basis. Fifteen percent reported they will allow unpaid time off for pursuit of a degree; 7% allow paid time off.

In terms of continuing professional education, 96% provide paid time off for CPE, 82% pay registration fees, and 46% provide CPE in-house for their employees. For the CPA exam, 14% of the firms pay time off for review courses, 21% pay registration fees, and 29% pay for the time to take the exam.

COMPENSATION

As with other industries, it is generally accepted that small CPA firms pay less in salary than do large firms (Wheeler, et al, 1987). Because of the difficulty in comparing pay rates due to geographic and other considerations, we did not ask about salary levels. Rather, we sought to look at pay policies within the firms. Because accountants work considerable overtime hours at certain times of the year, we asked firms about their overtime policies. One-third reported they pay overtime hours at straight salary rate, and one-third report giving 'comp' time at straight rate for at least some portion of the overtime. None reported paying more than straight rate.

Almost all the firms (88%) report making salary adjustments annually; oddly, only 10% report these adjustment being tied directly to performance reviews. An alternative to salary adjustments is one-time bonuses. We found that firms were equally likely to pay bonuses to partners, managers, seniors and staff accountants, with between 19% and

27% of firm paying on the basis of firm performance. Firms did not tend to give bonuses based on performance on individual projects, but 39% of firms paid bonuses to staff accountants, 27% to seniors, and 28% to managers based on individual performance.

DRUG TESTING AND SEXUAL HARASSMENT POLICIES

Two areas that have been in the forefront in human resource management recently have been drug use by employees and sexual harassment. Neither of these appear to be problematic for small CPA firms. Only 1.4% drug test applicants and less than 1% test any employees for drug use. Thirty percent of the firms report having a sexual harassment policy, which is generally communicated through the employee handbook. Less than 2% have conducted sexual harassment training. Of the 355 firms, only 5 reported having had a sexual harassment claim filed. Only 2 of these claims were found to be of merit, one was against a staff accountant and one against a non-accountant employee of the firm.

DISCUSSION

Human resource policies, whether in terms of selection, compensation, benefits, or sexual harassment, are important to firms' abilities to attract, retain, and motivate employees. While these policies are important in absolute terms, they are also important in relative terms, for all firms find themselves in competition for the best potential employees.

In 97% of these small firms, decisions concerning salaries, recruiting and selection, discipline, and performance appraisals are made by the partner(s). This is comparable to small firms in other industries (Little, 1986). Because the officers making these decisions are not specialists in the field of human resource management, they must educate themselves about what other firms are doing. Surveys such as this are an important first step in such an educational process.

They also most educate themselves in terms of what their employees want in benefits. By surveying employees, firms can determine where they can best spend their benefits dollars to maximize the value to employees (Cascio, 1995). For example, if most employees are members of dual-income couples, health insurance coverage may duplicate a spouse's coverage, so the employees might prefer to spend their dollars in alternative coverage. It is crucial that the dollars spent on benefits be invested in programs that employees know of, value, and use. Otherwise, the money spent on benefits will return little to the firm.

There are also alternatives to compensation that do not result in higher fixed costs to firm. Well-designed incentive programs, such as profit sharing, allow both the firm and the employee to reap financial benefits from desired behaviors, without the compounding effects of salary increases. In our sample, between 20 and 30% of firms paid one-time bonuses based on individual performance. More firms should learn from their example.

Small firms need to educate themselves also in terms of the advantages that they can provide to employees beyond the expensive fringe benefits offered by large firms. Wheeler, Felsing, and Reilly (1987) discuss differences in large and small firms from the employees' perspective. They state that in small firms employees are more likely to be able to influence their assignments, are more likely to have variety in assignments, and are likely to have to travel less. Employees in these firms may work with less supervision and may have more flexibility. Small firms often provide more opportunity for contact with partners and greater opportunities for partnerships. Also important, Wheeler, et al. report that while significant differences exist in pay at the entry level, within four years the differences between small and large firms diminish.

Another aspect of the small firm that should be capitalized upon is the opportunity for flexibility. About 30% of the firms in our survey allow flexible schedules by employees, and about 30% used part-time employees. Firms seem to be missing a great opportunity to build loyalty among employees by ignoring the members of the labor force who want to work less than a full schedule or who need to work different hours. (Both of these alternatives have been found to be important to women.) Firms should capitalize on the interaction of technology and employees who desire other than 9-5 schedules to attract and retain talented people.

Many people start small businesses because they want to avoid large business cultures, and many employees join for the same reason. Small CPA firms should not attempt to compete head-to-head with large firms for employees. They must be creative and capitalize on the advantages they can provide to employees, rather than trying to compete on the basis of expensive policies and programs.

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NEGLIGENT HIRING AND EMPLOYEE JOB REFERENCE INFORMATION: A HUMAN RESOURCES DILEMMA

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ABSTRACT

Should employers be liable for the intentional torts of their employees? Some court decisions have held employers liable on the basis of negligent hiring due to their failure to check references of employees with former employers. In response, some employers have a policy of checking with former employers. However, frequently former employers will acknowledge only the past employees' dates of employment. The fear of former employers is that they will be sued for defamation by the former employee or sued by the new employer for failure to warn about the prospective employee. This policy of refusal to give employee job reference information to prospective employers due to fear of litigation exposure has led twenty-four states to adopt statutes which grant some form of immunity from liability for truthful nonmalicious job references from former or current employers to prospective employers. This paper attempts to examine the current status of negligent hiring based on failure to check past job references and the impact of state immunity statutes on former employers' policy of refusing to disclose truthful information about former employees.

INTRODUCTION

A 1995 survey of personnel managers taken by the Society for Human Resource Management found that 63 percent refused to respond to reference requests about former employees because they feared being sued (McMorris, 1996). A 1992 survey of two hundred executives from the largest one thousand companies in the United States conducted by Robert Half International found that sixty-eight of the respondents believed it was harder to obtain job reference information on former employees in 1992 than it had been in 1989 (Saxton, 1995). Another survey of nine hundred CEOs in the southwestern United States found that among the 34 percent who responded, 62 percent had experienced willingness by former employers to disclose information about former employees; however, only 38 percent of large firms experienced openness compared to 73 percent for small firms (Saxton,1995). As the Half report noted, "Our litigious society is increasingly forcing former employers into taking a position of 'no comment' beyond verification of employment dates and salary" (Saxton, 1995 p. 47). Why have employers adopted the "no comment" position on job references for former employees? Perhaps it is because of the

horror cases that appear in both the popular press and the specialized information letters for human resources managers.

RECENT CASES ON NEGLIGENT HIRING

In 1995, a Florida judge ruled that Allstate Corporation could be sued for punitive damages for refusing to disclose the violent nature of a former employee to a prospective employer, Fireman's Fund Insurance Co. Allstate had written a letter of recommendation for the former employee who had been fired after coming to work with a gun, saying that the employee was let go as part of a corporate restructuring. After being hired by Fireman's Fund the employee shot five co-workers in the company cafeteria, killing three of them and injuring the others before killing himself. The suit was filed by one survivor and the families of those killed. Because this case was settled, there will be no appeal of the judge's ruling about the applicability of punitive damages from former employers for misleading job references for former employees to prospective employers and potential victims (McMorris, 1996).

In Brown v. Bryan County, Okla., the sheriff of Bryan County, Oklahoma, was held liable for negligently hiring a reserve deputy sheriff despite the deputy's extensive criminal record without an adequate background check. Further examination would have revealed that the deputy had repeatedly violated probation and that a warrant had been issued for his arrest. Mrs. Brown had been forcibly removed from a pickup truck being driven by her husband by the reserve deputy using a straight arm pull which resulted in Mrs. Brown's knees impacting the pavement directly. She had then been handcuffed and held for over two hours without arrest or medical treatment. The prognosis was that she would ultimately have knee replacements on both legs.

In Robinson v. Shell Oil Co., a former employee who was terminated by Shell in 1991 sued his former employer for wrongful termination based on race and for retaliation in violation of Title VII of the Civil Rights Act for filing an Equal Employment Opportunity Commission charge for giving a negative job reference to a prospective employer. Sitting *en banc*, the Fourth Circuit by a 7-4 majority affirmed the trial judge's decision to dismiss the claim because Title VII covered only prospective and current employees, not former employees. The Fourth Circuit chose to ignore the other federal circuits and the EEOC which had held that Title VII does apply to former employees.

STATES PASS IMMUNITY LAWS FOR COMPANIES GIVING JOB REFERENCES

In response to these types of horror cases and to encourage disclosure by former employers of job reference information about former employees to prospective employers, twenty-four states in recent years have passed laws providing employers who release truthful information about former employees with varying degrees of immunity against suits by former employees alleging defamation and other claims (McMorris, 1996). In general, these statutes grant limited immunity or a conditional privilege to truthful

nonmalicious information about a former or current employee to a prospective or current employer (See Table 1).

Table 1

State	Reference-checking Statute
Alaska	A.S. 09.65.160
Arizona	A.R.S. 23-1361(B)
California	Cal.Civ.Code § 47(c)
Colorado	C.R.S.A. §8-2-114(2)(a)
Florida	F.S.A. §768.095
Georgia	G.A.ST. 34-1-4
Idaho	I.C. §44-201 (2)
Illinois	IL.St.Ch. 225 §446/80
Indiana	I.C. 22-5-3-1 (b)
Kansas	K.S.A. §44-119
Louisiana	L.S.A-R.S. 23:291
Maine	26 M.R.S.A. §598
Maryland	MD FAMILY §5:560-568
Michigan	M.C.L.A. 338.1728
New Mexico	N.M.S.A. 1978, §50-12-1
Ohio	O.R.C. §4113.71
Oklahoma	40 Okl.St.Ann. §61
Oregon	O.R.S. §30.178
South Carolina	SC.St.Ann. §15-78-60
South Dakota	S.D.C.L. §60-4-12
Tennessee	T.C.A. §50-1-105
Utah	U.C.A. 1953 §34-42-1
Wisconsin	W.S.A. 196.63 or 968.27-968.37
Wyoming	WY.St.§27-1-113

Some states require that the employee be given a copy of the recommendation either automatically or at the request of the employee. Some states only give the privilege to those employers or record keepers involved with employees engaged in human care areas, e.g., daycare, schools, prisons, hospitals. Maryland, Michigan, South Carolina, Wisconsin, and Wyoming seem to have chosen this approach. Others give a broad privilege to any employer giving truthful nonmalicious information about a former employee. However, since these are state statutes, they do not permit employers to violate federal laws, such as Title VII of the Civil Rights Act.

Have these statutes had the salutary effect of reducing the number of suits filed by former employees against their former employers for defamation? A sampling of five states (CA, CO, FL, MI, and SD) is inconclusive. The respondents were chosen on the basis of geographic and demographic representation. The judicial administrator of each state's

supreme court was called because this agency usually keeps annual statistics on the number of cases filed in each district in order to determine where new judicial divisions need to be created because of increasing case loads. Unfortunately, the only statistics kept, besides total suits filed, is the number of civil and criminal suits handled. Thus, the authors are unable to ascertain whether the states which have adopted some immunity for employers giving job reference information have seen a reduction in defamation suits filed by former employees.

CONCLUSION

Partially as a result of the Florida judge's ruling in the Allstate case, there are now twenty-four states which have passed statutes giving some immunity from liability to employers who give truthful nonmalicious job references solicited from current or prospective employers. The adoption of these shield statutes at the state level is appropriate since most negligent hiring cases are decided in state courts under the negligence statutes applicable to the particular state where the case is tried. Another step taken by former employers is to have the departing employee sign a waiver of liability for references the former employer may be asked to give.

What steps should the prospective employer take to avoid liability for negligent hiring? Negligent hiring is not based on what an employer knows about an employee, but what the employer should have known. The fundamental element in deciding negligent hiring cases focuses on the duty of the employer to use reasonable care when hiring. This duty also depends on the foreseeability of risk by the employer in hiring for a particular job. In other words, is the risk of harm from a dangerous employee to those persons who would normally come into contact with the employee foreseeable as a result of employment (Fenton, 1990). This duty to exercise reasonable care has been defined as the duty to conduct a reasonable investigation of the prospective employee's background. As illustrated by the previously mentioned negligent hiring cases, courts look for the traditional elements of proof of negligence: a duty owed, a breach of that duty, and injury that is proximately caused by the breach of that duty (Odewahn & Webb, 1989). This duty to select competent employees encompasses the employees interactions with clients, patients, customers, and members of the public found in the general environment in which the employer operates. Incorporated in this duty owed by the employer is the obligation to conduct a reasonable and adequate investigation of an applicant for employment prior to hiring. Case law indicates that the degree of care required in this investigation is directly proportional to the level of risk for harm the public faces from the actions of the potential employee. Perhaps this is why states such as Maryland, Michigan, South Carolina, Wisconsin, and Wyoming have passed statutes requiring background checks by employers of prospective employees engaged in the positions of teacher, daycare and eldercare attendant, prison officers, police and deputy sheriffs.

Although there are no precise rules, employers have been advised to take the following defensive steps to avoid liability for negligent hiring: first, obtain in writing the

applicant's consent to acquire information from previous employers; second, contact the previous employers and references given by the applicant to find out if the applicant is trustworthy, honest, reliable, and if the applicant was engaged in any wrongful acts such as sexual harassment or violence; third, follow up all information supplied by the applicant, especially gaps in employment; fourth, document the information as received; and fifth, decide whether it is necessary to do a criminal background check. While these steps cannot guarantee an employer will not be sued for negligent hiring, they will show both judges and juries that the defendant employer at least made a good faith effort (Swerdlow, 1991).

Based on the foregoing review of negligent hiring principles and practices and the fear by former employers of being sued for defamation by former employees or failure to disclose by victims of hired employees, there is a basis for the claims of a dilemma generated by these conflicting exposures to liability for both the former and present employer. The key to eliminating the dilemma is the linkage between the employer's business needs and the investigation/hiring policies within the context of job functions. The employer can lessen his exposure to liability for negligent hiring by thoroughly understanding the attributes of the hiring task and applying the particular qualifications of each job or class of jobs to the relationships with other employees and the third parties with whom they will be in contact. The states have attempted to help the business employer with this dilemma in two ways. Twenty have given a general shield from liability to former employers who disclose truthful nonmalicious information about former employees to prospective or current employers. Four have mandated that employers of teachers, attendants who care for the very young or very old, police officers, and prison officials must conduct criminal and background checks before hiring. They have placed the burden on the employee to provide the necessary data for this search (including finger prints) and in some cases even require the prospective employee to pay for part of the cost for this investigation. As of this date, other state legislatures are looking at reference checking statutes as a way to encourage former employers to disclose the information prospective employers so desperately need if they are to avoid liability for negligent hiring.

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KEY CHARACTERISTICS FOR SUCCESSFUL BUSINESS PROCESS REENGINEERING

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ABSTRACT

Several strategies have been developed to reshape businesses for today's competition. Reengineering is an innovative approach to rethinking how businesses accomplish tasks. A study was conducted to determine what extent the success of business process reengineering projects is influenced by 12 independent variables. Results indicate significance for 10 of the variables and the use of consultants.

INTRODUCTION

The advent of global competition has flooded the marketplace with myriad of products and services. Consumers have learned to expect and demand more. Global competition has forced businesses to reexamine how they do business to hold their market share against low cost, customer oriented, innovative organizations. Businesses must respond to these changes or go out of business. Several strategies have been developed to reshape businesses for today's competition and challenges. Reengineering is an innovative approach to rethinking how businesses accomplish tasks (Hammer and Stanton, 1995).

Understanding the fundamental nature of reengineering and following through will influence the outcome of a project. Hammer and Champy (1993) define reengineering as the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical measures of performance.

BACKGROUND

The framework for business process reengineering was developed by Hammer and Champy (1993). They offered a new business model based on a process orientation verses the task orientation. Numerous reports of failure prompted Hammer and Stanton (1995) to offer a practical guide to reengineering based on 8 years of experience. They note that many failures to reengineering are due to misconceptions equating reengineering with downsizing or restructuring. They identify 10 ways to fail as their antithesis for success.

A broad based empirical research study on the implementation of reengineering projects was conducted by Grover, Jeong, Kettinger, and Teng (1995). Their study focused on innovation and implementation in 9 problem areas.

Several authors have undertaken analysis of reengineering projects. Dixon, Arnold, Heikne, Kim, and Mulligan (1994) analyzed 23 reengineering projects. They found that successful projects used teams comprised of line managers; had a project champion, usually the CEO or president; used consultants to provide technical training; reeducated employees to operate within the new process; and developed trust within the organization through open communication. Rosenthal and Wade (1994) identified several factors that contribute to successful reengineering projects. They include: senior management commitment, understanding market trends and the need for communication.

Based on his experience of several reengineering projects Thomas Davenport (1995) concluded that the engineering model as applied to business is the reason for so many failures. He argues that the engineering model de-emphasizes the human skill needed to connect all the people that perform a process. He suggests a modified approach that involves design teams of top executives and implementation teams composed of people that will do the work.

According to a recent study by Bartholomew (1994) information technology inhibits reengineering success. He found that previously existing information systems developed for independent departments have proved to be an impediment to linking departments for reengineered processes. On the other hand, he found that several projects were terminated when new information technology systems that appeared promising were not mature enough for implementation.

The purpose for reengineering business processes is to achieve a dramatic improvement in performance through the fundamental rethinking and radical redesign of business processes. A review of the literature has revealed mixed results concerning reengineering success. Identifying the key characteristics that influence the success of reengineering efforts should improve the probability for a successful outcome.

METHODOLOGY

The intent of this study was to understand what characteristics influence the success of reengineering projects. Reengineering in this study is specifically referring to a radical change in business processes to achieve a dramatic improvement in performance. Dramatic improvement is generally considered to be 10 times improvement in performance (Hammer and Champy, 1993).

A questionnaire consisting of 18 items was developed as a result of the literature review. The questionnaire focused on 3 primary categories of measuring successful business process reengineering. They included the company's experience in reengineering, defining reengineering, and variables of reengineering. A company's experience in reengineering was measured by the number of projects the company had started, the number of projects that were successful, the company's definition of a successful reengineering project, and the use of consultants. The respondent was also asked to define reengineering based on 10 items listed describing it. Finally, respondents indicated their

degree of agreement or disagreement for reengineering based on 12 independent variables. The 12 variables include: understanding reengineering, identification of company processes, overanalysis of current processes, senior management support, involvement of consultants, the project time frame, limitations placed on the scope of changes, organizational resistance to change, educating employees for the new process, establishing a compelling case for change, testing the proposed change prior to full scale implementation, and information technology. The variables were measured using a five point Likert-type scale. The scale ranged from one for "strongly agree" to five for "strongly disagree". The dependent variable in the study was the success of business process reengineering projects.

RESULTS

The questionnaire was mailed to 150 CEOs, randomly selected, listed in the Fortune 500. A total of 36 responses were received for a response rate of 24 percent. Descriptive statistics and two-tailed *t*-tests were used to identify differences in general attitudes toward reengineering project success. A single factor ANOVA test was used to examine the relationship between the use of consultants and consultants experience. A multiple regression analysis was used to determine if the independent variables predicted the success of business process reengineering projects.

In response to the first two questions 32 (91%) respondents had attempted 2 or more reengineering projects while 28 (87%) had 2 or more projects that were successful. A wide variation existed among the respondents about defining a successful reengineering project. The responses varied from starting over (38%), continuous improvement (25%), Total Quality Management (25%), restructuring (9%), and a fad (3%). The majority of the respondents (89%) had used consultants for reengineering efforts.

Table 1: Summary of Results

Variable	*t*	p	Perform Result
Understanding reengineering	2.583	.007	Significant
Identification of processes	-1.773	.046	Significant
Senior management support	-0.078	.220	Not Significant

Involvement of consultants	8.246	.000 Significant
Overanalysis of current processes	13.501	.000 Significant
Time frame	5.233	.000 Significant
Limitations in scope	4.605	.000 Significant
Overcome resistance to change	-1.784	.042 Significant
Reeducating employees	3.576	.001 Significant
Compelling case for change	0.177	.430 Not Significant
Testing new process	3.614	.000 Significant
Information technology	3.730	.000 Significant

Using Cronbach's Alpha, the 12 independent variables measuring reengineering had a reliability score of 74.7%. A *t*-test was used to examine the relationship between the independent variables and the success for business process reengineering projects. Table 1 summarizes the results of each of the pairs tested. As noted in the table, 10 of the variables show significance in predicting performance success for reengineering efforts.

The results of the multiple regression analysis can be seen in Table 2. The 12 independent variables are regressed against the success of a business process reengineering project. The model explains 76 percent of the variation in the 12 variables and the success of a business process reengineering project. There are 2 variables that showed significance in the model. Identification of businesses processes is positively and significantly related to business process reengineering success. Information technology is negatively and significantly related to business. There are 2 other variables that showed moderate significance. Understanding the reengineering process is negatively and moderately significant to reengineering project success. Testing or simulating the new

process for implementation is positively and moderately significant to reengineering project success. All of the other variables did not show significance.

Table 2: Results of Regression Analysis
Success of Business Process Reengineering Project

Variable	*t*
Understanding reengineering	-2.013*
Identification of processes	4.460***
Senior management support	-1.271
Involvement of consultants	1.410
Overanalysis of current processes	1.344
Time frame	0.970
Limitations in scope	0.176
Overcoming resistance to change	1.546
Reeducating employees	-0.482
Compelling case for change	-0.025
Testing new process	1.853*
Information technology	-2.202**

F 5.911* R-square 0.755 Adjusted R-square 0.627**

***p<.10 **p<.05 ***p<.001**

A single factor ANOVA was run to test the relationship between the reported experience of using consultants and the independent variable for involvement of consultants. The reported F value is 77.532 which is significant at the .001 level. It suggests there is a significant difference between the groups who had used a consultant and their involvement.

CONCLUSIONS

The purpose of this study was to gain insight into the characteristics that influence the success of business process reengineering projects. Several characteristics that are related to reengineering success are identified that include: understanding what

reengineering is, identification of business processes, involvement of consultants, overanalysis of current processes, the time frame, limitations of the scope, organizational resistance to change, educating employees for the new process, testing the new process prior to implementation, and information technology. Three of the variables (identification of processes, educating employees and information technology) are negatively correlated to the reengineering success.

Most of the results support prior research, but there are two findings that extend the research. One, the involvement of consultants and their experience in reengineering is related to reengineering success. Two, testing or simulating new processes prior to implementation leads to success. Although only testing new processes is considered significant from the results of the regression analysis, they both were considered key characteristics from the *t*-test.

Business process reengineering is a new model for organizational improvement. While reengineering has dramatically revitalized several organizations, there have been numerous failures reported. Unfortunately, reengineering is not a recipe that can be simply repeated. Further efforts should be made to understand the dynamics of business process reengineering. Longitudinal studies would further enlighten us of the enduring benefits and costs associated with reengineering projects. Likewise, the key characteristics that are most prevalent over time will be more evident.

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MANAGERIAL APPRAISAL: USING SURROGATE PRODUCTIVITY MEASURES

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ABSTRACT

This paper proposes the development and use of surrogate managerial productivity measurements. Using the Nominal Group Technique, the paper shows through a four step approach how to involve group participation in defining measurement criteria, developing scaling factors for a select few of the criteria and developing "Utility for use in validating managerial productivity. A hypothetical case study is provided to illustrate the process.

INTRODUCTION

One of the activities of any executive is the evaluation and control of managerial performance. Procedures must be developed for monitoring and evaluating managerial performance so that adjustments can be made to programs or their implementation when performance is unsatisfactory. It is important that objective measures in managerial performance are identified to indicate whether there is an effective and efficient use of inputs (manpower, materials, capital, energy, and other facilities). In order to improve managerial performance, managerial efforts have to be measured.

A key issue in managerial productivity improvement therefore is that of defining what measurement criteria should be used. The definition and identification of managerial productivity measures (output/input) have been difficult because many of the measures are subjective relying typically on the personal evaluation by the manager's immediate supervisor. Whereas input such as labor and materials that go in to the manufacture of a product unit can easily be measured and charged to that product, that is not usually so in managerial efforts where much of the labor time expended is on situation specific tasks for which most companies generally do not have standard times.

This paper proposes the use of surrogate productivity measures. A surrogate measure is defined as a measure which is substituted for another measure which is unobtainable. The paper defines many (twenty-five) surrogate productivity measures that have been or can be used in managerial evaluation. Although an executive can use some of the productivity measures in the paper, it is important for those responsible for the managerial evaluation function be able to develop in-house measures that best fit their circumstances. The paper therefore proposes the use of the Nominal Group Technique (NGT) process in the development of individual measurements.

THE NOMINAL GROUP TECHNIQUE (NGT)

The first three steps of a four-step approach suggested later in this paper for setting up managerial performance measurements and determining productivity indices utilize the"NGT process." A brief introduction to NGT is therefore in order. A brief description of the phases of NGT process is provided in the Appendix. Interested users of this four-step approach are encouraged to first consult Delbecq, Van de Ven and Gustafson (1975), Olorunniwo and Ishmael (1988), or Sink (1985) for a detailed discussion of how to use NGT.

The Nominal Group Technique is a structured group approach and was developed by Andre L. Delbecq et al (1975). It is based on social-psychological studies of decision conferences, management science studies of aggregating group judgments, and social-work studies of problems surrounding citizen participation in program planning.

The objective of NGT is to encourage free generation of ideas by diverse but relevant department personnel on issues of concern and to aggregate group judgements through the use of mathematical voting techniques. The immediate advantages are: 1) the ideas so generated may be representative, and 2) the group judgements arrived at may be more acceptable.

A FOUR-STEP APPROACH

In setting up managerial performance measures and determining productivity indices, the following four-step approach is suggested. Each step will be briefly expanded upon and a case study will be used to illustrate all four steps. The steps are:

STEP 1: Determining broad-based productivity improvement factors for managerial performance and selecting suitable surrogate measurements based on some of the factors and the prevailing operating environment.

STEP 2: Determining Scaling factors that measure the relative importance of the performance measures selected in Step 1.

STEP 3: Determining Performance curves for each performance measure selected in Step 1.

STEP 4: Evaluating Managerial Performance in a given period using the curves developed in Step 3 and the scaling factors derived in Step 2, together with the actual data for the period.

Most applications of the NGT process (Delbecq et al., 1975; Olorunniwo & Ishmael, 1984; Sink, 1985) have been directed only towards generating ideas such as productivity improvement measures similar to that of Step 1. In this paper a methodology is proposed whereby this technique can also be used to obtain quantitative values such as performance values and scaling factors in Steps 2 and 3 (Lorentz, 1995).

STEPS 1 & 2: GENERATING MANAGERIAL PRODUCTIVITY IMPROVEMENT MEASURES AND ESTIMATING SCALING FACTORS FOR SELECTED MEASURES

In order to apply the six-phase NGT process to generate managerial performance measures, a "Nominal Group" comprising key personnel in management and related functions must be formed. A suggested composition of the group might be:

- **Department Heads**
- **Supervisor(s)**
- **Team Leader(s)**
- **Chief Financial Officer**
- **Attorney**
- **Manager(s)**
- **Human Resource Director who may serve as the group leader**
- **Administrative Assistant**

THE CASE STUDY

A case study using MBA students with business experience will be used to demonstrate each of the four steps outlined earlier. The participants have varied experience in general management, teamwork, employee relations, quality assurance, accounting, marketing, and supervision. They were divided into three (3) nominal groups, each group having 7 participants of mixed functional backgrounds. In the second of three practical sessions, the groups were given the target statements (assignments) shown below. The completion of this second session accomplished the tasks required by Steps 1 & 2 of this paper.

TARGET STATEMENT (given to the groups)

Using Appropriate Productivity Measurements and the NGT process outlined earlier in the first session of the workshop:

I. Identify the measurements your group (similar to a Human Resource Department) would suggest to use in evaluating and monitoring one of the following aspects of managerial performance.

A. Goal Attainment

1. **Percent of previous year's goals which were met or exceeded**
2. **Top goal met or exceeded**
3. **Effort required to meet goals**
4. **Reasonableness of goals set**
5. **Ready acceptance of tasks outside job description**

B. Work Habits

1. **Responds to E-mail in a timely manner**

2. Completes reports by deadline
3. Arrives on time and is prepared to provide meaningful input to meetings and conferences
4. Exhibits creativity and ingenuity on tasks
5. Demonstrates a high level of effort

C. Personal Characteristics
1. Confidence
2. Judgement
3. Maturity
4. Honesty
5. Sense of humor

D. Interpersonal Relations
1. Rated highly by team members
2. Communication skills highly regarded by subordinates
3. Decision-making skills highly regarded by subordinates
4. Public speaking and interaction skills
5. Consensus builder

E. Responsibility
1. Number of grievances/complaints filed by subordinates
2. Number and cost of errors in judgement
3. Number of budget overruns
4. Number of OSHA violations
5. Number of employment discrimination cases lost

II. In the clarification stage of the NGT process, you should discuss for any suggested measures:
A. How the measure would help monitor the aspect of managerial performance;
B. How the required data can be obtained; and
C. What the limitations are in the use of the measure.

III. In the mathematical voting phase of the NGT process, you should also develop the required scaling factors (assume additive property of the utility functions).

IV. Summarize your results, and make your recommendations.

The selection made in part A by each group was as follows:
GROUP 1: GOAL ATTAINMENT
GROUP 2: PERSONAL CHARACTERISTICS
GROUP 3: INTERPERSONAL RELATIONS

GROUP RESULTS

Each group, meeting separately utilized the NGT process to come up with factors and measures that could be used to measure and/or improve the aspect of managerial performance it selected. Tables 1 and 2 provide summaries of some of the results obtained by groups 2 and 3. Because of space limitations, the results obtained from group 1 will

not be presented. Also additional suggestions which were discussed as required in part B of the assignment are not included in this paper.

GROUP 2

Task Statement: **Identify Personal Characteristics that can be used for measuring and evaluating Managerial Performance.**

There was an original list of five ideas. After the clarification and the voting phases of the NGT process, the following measures emerged. (See Table 1).

TABLE 1
Top Five Ideas from Group 2

Measure #	Description		Votes	Sum Rank
4	Honesty	5-3-5-4-4-4-5	30	1
2	Judgement	3-5-3-5-3-5-4	28	2
1	Confidence	4-4-4-3-2-2-3	22	3
3	Maturity	1-1-2-2-5-3-2	16	4
5	Sense of humor		2-2-1-1-1-1-1	9
5				

GROUP 3

Task Statement: **Identify measures of Interpersonal Relations that can be used for measuring and evaluating Managerial Performance.**

The original list contained five ideas. The top five are given (and ranked) in Table 2.

Step 2: Estimating the Scaling Factors

Scaling factors indicate the relative importance of the respective productivity improvement measurement criterion selected during the NGT process. The last column in Table 2 shows how these are calculated. It is assumed that the group believes that only these five measurements are important to the aspect of managerial performance to be monitored. The scaling factors sum to unity because an additive multi-attribute utility function has been assumed (Kenney & Raiffa, 1976).

Table 2
Top Four Ideas From Group 3

	Measure #	Description		Votes		S
R	SF					
	3	Decision-making skills highly regarded	4-4-3-3-4-3-4	25	1	
	0.238					
	2	Communication skills highly regarded	2-3-5-5-5-2-2	24	2	
				0.228		
	1	Rated highly by team members		5-5-4-2-1-1-3	21	3
	0.200					
	4	Public speaking and interaction skills	1-1-1-4-2-4-5	18	4	
	0.171					
	5	Consensus building skills	3-2-2-1-3-5-1	17	5	
	0.162					
					Total	
	101	1.000				
Sum	R=RankSF=Scaling Factors					

Step 3: Developing Performance Curves for the Measures Selected in Step 1

Having identified and prioritized the productivity measures, what is further needed is a mechanism for expressing the measure in common reference scale. This is referred to as a utility scale, though the determination of the scale is through a structured group consensus as opposed to the conventional (and theoretically more sound) method of determining individuality curves. A group approach for determining reference scales for evaluating and aggregating performance measures will likely be more easily acceptable to those whose performance will be evaluated by those scales than will individually developed utility (performance) curves.

PROCEDURE FOR DEVELOPING PERFORMANCE (UTILITY) CURVES FOR THE MANAGERIAL PRODUCTIVITY MEASURES

Stage 1: **Choose a Productivity Measure. (For illustration the Consensus builder measure selected by group 3 of the case study will be used).**

Stage 2: **Determine from experience the best and the worst values of the selected measure. Assign the performance value 1.0 (0.0) to the best (worst) value.**

Example: Measure	Practice	Value in	Value	Performance (Utility)
Consensus builder	Best: 8		1.0	
		Worst: 0		.0

Stage 3: **Consider three to eight intermediate values of the measure between the best and the worst values.**

Stage 4: **Determine, one at a time, the performance (Utility) value for each of the intermediate measurement values, by repeatedly answering the following questions:**

"If the best value to the measure is assigned the performance level of 1.0 and the worst level is assigned the performance level of 0.0, what performance level would you assign the intermediate value?"

OR: ***"If always succeeds as a consensus builder is given a performance level of 100% and never succeeds as a consensus builder is given a performance level of 0.0%, what performance level would you assign to succeeds 60% of the time?"***

Stage 5: **This stage is equivalent to Phase 4 or 6 of the NGT process. Each nominal group member should repeat Step 4 for each of the intermediate values of the measurement criterion. The results, individually written on cards, will be collected. In the case study, the mean of the scores are as shown:**

	Success as Consensus Builder	Mean Score %
	00%	
(fixed) 00.0		
	20%	
21.4		
	40%	
45.2		
	60%	
57.6		
	80%	
100.0 (fixed)		

Stage 6: **The means of the scores can either be plotted to yield a performance cure or summarized in a table. Graphs have the advantage that intermediate values not shown in a table can easily be read.**

Stage 7: **Suppose there is large variability in the scores for any intermediate measurement value. For example, suppose for a success as a consensus builder of say 40%, we have the following scores: 35-45-55-70-32-35. It will then be necessary to adopt the clarification strategy of Phase 5 of the NGT process. Then Stages 5 and 6 will be repeated for the intermediate measurement value until consensus scores (with little variability) are obtained.**

The performance curves obtained by Group 3 in the case study are shown in figures 1 (a-e). Only three intermediate points have been considered. More accurate curves can be obtained with a larger number of intermediate points.

Step 4: Evaluating Managerial Productivity in a Given Period

The two general approaches for evaluating productivity are:

(I) Plotting of and analyzing a trend in measurement criterion, or

(ii) Comparing the performance level to an agreed standard. Use of the second approach is illustrated. (Note graphs to illustrate the performance curves for the key measure of interpersonal relations).

Suppose in a particular period, the actual performance is shown in Table 3. Utility values for the various performance levels of this period, are provided by the utility functions in Figure 1. Scaling factors are shown in Table 2.

Table 3
Composite Productivity Index for Managerial Efforts

Criterion	Actual Performance in the period	Utility Value (%) (from figures E) 1 (a-e)	Scaling Factor
Consensus builder	.50	62.3	0.162
Rated highly by team members	.70	78.5	0.200
Decision-making skills highly regarded	.90	84.6	0.238
Communication skills highly regarded	.55	60.0	0.228
Public speaking and interaction skills	.45	43.0	0.171

An additive form of the multi-attribute utility model is used. This is similar to the additive models commonly used in evaluating multi-attribute utilities (Kenney &Raiffa, 1976). The Managerial performance index for the period is calculated as (0.162) (62.3) + (0.200)(78.5) + (0.238) (84.6) + (0.228) (60.0) + (0.171) (43.0) = 66.960.

The composite surrogate productivity index measuring managerial effort for this period is 66.96%. Compared with what is accepted as satisfactory, (say 75%) this period's managerial effort would be regarded as being below standard.

With these indices calculated for given periods, it is now easy to compare them with target values and assess the overall performance of the management. Trends and deviations can be monitored by plotting these indices on graphs. The group indices make it possible to pin-point what specific aspects of managerial performance are causing trouble, and which of them should be emphasized. Action improvement plans can then be designed and a feedback mechanism set up to monitor the effectiveness of these actions.

DISCUSSION AND CONCLUSIONS

The strength of the procedure outlined in Steps 1-4 is the use of the NGT process. The results obtained are thus likely to be acceptable company-wide since the members that participate in the NGT sessions are drawn from all sections that impact on the managerial function. Also by subdividing the productivity measures into groups, there is a reduced loss of clarity and visibility as to which action to take toward improvement, a common disadvantage attributed to single composite measures (Stewart, 1978).

In-company implementations of the above process should be easy to install. In addition, the results should be more readily accepted by managerial personnel, whose performance levels would be monitored by the resulting measures.

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APPENDIX

Process of Application of the Nominal Group Technique (NGT)

This brief description of the NGT process is based on the work of Delbecq et al (1975).

In a series of meetings of the NGT group, normally consisting of 5-12 representative members, is guided by the group leader (called the facilitator) through the following six phases:

Phase 1.	**Silent generation of ideas in writing**
Phase 2.	**Round-Robin recording of ideas**
Phase 3.	**Serial discussion for clarification**
Phase 4.	**Preliminary vote on items of importance**

Phase 5. Discussion of the preliminary vote

Phase 6. Final voting/rating

Phase 1 Silent Idea Generation

The group meets face to face. Each member, given a copy of the problem (called the target statement) in writing, would silently and independently write down ideas on how to solve the problem.

The benefits of adopting this strategy in Phase 1 are that there is: (i) adequate time for thinking and reflection; (ii) constructive tension created by observing other group members working hard; (iii) avoidance of competition, status pressures, and conformity pressures; and (iv) avoidance of choosing between ideas prematurely.

Phase 2 Round-Robin Presentation

Each member takes turns to verbally present one idea to the group. Any member may pass on any given round. This round robin presentation is carried out until all ideas of the group have been read and recorded by the facilitator. There is to be absolutely no discussion on the ideas presented.

The benefits of adopting this strategy are that there is: (i) equal participation in the presentation of ideas; (ii) encouragement of "hitchhiking" (i.e. an idea that comes from another member may stimulate another to think and generate another idea which has not hitherto been on his work sheet); (iii) depersonalization - the separation of ideas from personalities; and (iv) tolerance of conflicting ideas.

Phase 3 Idea Clarification

In this phase, the facilitator proceeds through the idea list asking if any clarification is needed or if any of the members require further elaboration of any of the ideas.

The benefits of this approach at this phase are that there is: (i) avoidance of undue focus on any particular idea of subset of ideas; (ii) opportunity for clarification and elimination of misunderstanding; (iii) opportunity to provide the logic behind arguments and disagreements; and, (iv) recording of differences of opinion without undue argumentation.

Phase 4 Preliminary Voting

Each member then anonymously, in writing, picks the best 5-8 ideas. The member will also <u>rank</u> the ideas they have chosen. The facilitator would then tabulate the results. Here is where mathematical voting techniques are used to aggregate group judgments and arrive at a decision which reflects true group preferences. This phase and/or Phase six can be used to obtain the utility functions and the scaling factors discussed in this paper.

Phase 5 Discussion of Preliminary Vote

From the preliminary vote of Phase 4, the group view the aggregate ranking of the ideas that have been generated. A further brief discussion on these rankings will provide the group members a final opportunity to clarify their positions and will ensure that votes really reflect differences in judgment, not unequal information or misunderstanding.

Phase 6 Final Voting

This phase is similar to Phase 4. It also determines the final outcome of the NGT meeting and documents the group judgement. If a more refined voting technique is needed, such as rating, it is at

this point effected. In many instances, the process ends in Phase 4 when a clear-cut consensus is achieved and there are not inconsistent voting patterns.

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A COMPARATIVE ANALYSIS OF FOUR MOTIVATIONAL BASES OF HELPING FORMS OF ORGANIZATIONAL CITIZENSHIP BEHAVIOR

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ABSTRACT

Theory and research have offered four perspectives regarding the motivational basis of helping forms of organizational citizenship behavior. Helping behavior may result from one or more of the following: a communalistic orientation, social responsibility norms, reciprocity, and rational choice. The present study examines the relative influence of variables reflecting these different views on helping behavior. Results indicate that the importance of each variable in predicting helping behavior varied depending on the type of helping behavior being predicted. Network centrality, reflecting the social responsibility view, and interpersonal trust, reflecting the communalism view, were the most consistent predictors across the different types of helping behavior. The implications of the present study's findings for theory and practice are discussed.

INTRODUCTION

Organizational citizenship is a label used to denote employee behaviors that are voluntary, usually not directly or explicitly recognized by an organization's formal reward system (Organ, 1988). One class of organizational citizenship behavior that has received research attention in the literature is interpersonal help-giving (McNeely & Meglino, 1994; Organ, 1988; Williams & Anderson, 1991). Research has demonstrated that organizations comprised of employees who are responsive to their coworkers and go above and beyond what is required of them in their job descriptions are more effective (George & Bettenhausen, 1990; MacKenzie & Podsakoff, 1992; Puffer, 1987). The reason for this is that citizenship behaviors place more resources at the disposal of the organization and obviate the need for costly formal mechanisms to provide functions otherwise rendered informally by citizenship behavior.

For example, experienced workers may contribute to reduced training costs and turnover by voluntarily taking a personal interest in newcomers and helping them learn their new jobs (Louis, Posner, & Powell, 1983; Nelson & Quick, 1991). Simply calling attention to a potential error, sharing supplies, or assisting someone behind in their work prevents small problems from resulting in more serious ones (e.g., missing important project deadlines). Alternatively, studies have shown that employees depend on help from their coworkers in order to mitigate or resolve stressful experiences at work (Burke,

Duncan, & Weir, 1976). In sum, helping forms of citizenship behavior have important performance-related implications (i.e., work efficiency, timely output) and serves a therapeutic function for employees by reducing coworker stress and keeping coworkers engaged in their work.

Help-giving has assumed increased significance in the study of employee performance because interpersonal relations and teamwork have become critical success factors in many organizations. The successful application of management practices such as autonomous work teams and total quality management is to a degree dependent on employees' utilizing organizational resources effectively, sharing critical resources (e.g., information, expertise, materials), and being responsive to coworkers' needs. Research examining the processes contributing to the rendering of helpful behavior among coworkers is timely and warranted.

Toward this end, the present study examines four empirically supported theoretical explanations for why employees engage in helping forms of citizenship behavior. More specifically, help-giving may result from employees following one (or more) of the following rules of interpersonal interaction: (1) need-based giving akin to communalism (e.g., McAllister, 1995; Moorman & Blakely, 1995), (2) norm of reciprocity (e.g., Organ, 1988; Settoon, Bennett, & Liden, 1996), (3) norm of social responsibility (e.g., Pearce & Gregersen, 1991; Van Dyne, Graham, & Dienesch, 1994), and (4) rational choice (e.g., Murnighan, 1994). Research has found each of these perspectives to be fairly robust explanations of help-giving. However, each perspective has been examined empirically in isolation. Knowledge regarding the relative explanatory power of each compared to the others is limited. The present study empirically considers each of these perspectives simultaneously and offers insight into the relative contribution of those forces that lead to employees' willingness to assist others.

NEED-BASED RULES AND HELPING

Individuals form close, communalistic-type relationships with coworkers (McAllister, 1995). Individuals in this type of relationship follow need-based rules for giving help and assistance (Clark, Ouellette, Powell, & Milberg, 1987; Moorman & Blakely, 1995). In other words, individuals are committed to ensuring others' welfare and are responsive to others when they are in need. Also, individuals believe that others feel a special responsibility for answering needs, keeping track of needs, and responding when needs arise.

Trust between two individuals contributes to the formation of close, communalistic-type relationships. Trust engenders emotional bonds between individuals, expressions of genuine care and concern for the welfare of partners, and a belief in the intrinsic virtue of the relationship (Rempel, Holmes, & Zanna, 1985). Research has found that employees who trust their coworkers are more inclined to look for opportunities to meet others' work-related needs and to engage in productive intervention (Konovsky &

Pugh, 1994; McAllister, 1995; Podsakoff, MacKenzie, Moorman, & Fetter, 1990). Consistent with the need-based perspective for giving help, I hypothesize:

H1: Employees who trust their coworkers will engage in helping forms of citizenship behavior.

NORM OF SOCIAL RESPONSIBILITY AND HELPING

People in positions of power commonly feel a sense of responsibility, looking out for those who are dependent on them and protecting them because they are dependent. Power-dependence relationships in organizations are characterized by status differentials, whereby some control access to resources and make decisions and others are entitled to protection and expect those of power to look out for them. Berkowitz (1972) suggested the existence of a universal social responsibility norm prescribing that individuals should help those who are dependent and need assistance. The norm of social responsibility dictates that individuals should "act on behalf of others, not for material gain or social approval, but for their own self-approval, for the self-administered rewards arising from doing what is 'right'" (Goranson & Berkowitz, 1966, p. 228).

One factor that defines power and status differences among employees is network centrality (Brass, 1992; Krackhardt, 1990). Network centrality arises from holding a central position within emergent network relationships. Like formal authority, network centrality implies a high position in an informal status hierarchy, defining degrees of access to valued resources such as information and expertise. Network central employees are able to control relevant resources and thereby increase others' dependence on them.

Building on prior empirical research examining the link between power and status-related variables and helping behavior (e.g., Burke et al., 1976; Dovidio, 1984; Pearce & Gregersen, 1991; Van Dyne et al., 1994), it is proposed that employees in central positions in intraorganization networks engage in helping forms of citizenship in order to comply with social responsibility norms and to avoid social censure. Consistent with the social responsibility perspective for help-giving, I hypothesize:

H2: Employees in central positions in informal organizational networks will engage in helping forms of citizenship behavior.

NORM OF RECIPROCITY AND HELPING

Equity theories (e.g., Adams, 1963; Blau, 1964; Thibaut & Kelley, 1959; Walster, Walster, & Berscheid, 1978) and related processes such as reciprocity and indebtedness (e.g., Gouldner, 1960; Greenberg, 1980) assume that relationships are generally more satisfying and stable when reciprocity is perceived, and when the rewards for each partner are perceived to be equal. Equity theorists have argued that being overbenefited or

underbenefited in a relationship generates negative feelings (e.g., unfairness, resentment, guilt). Hence, the need to give help may be stimulated as a result of receiving help from others.

Studies have demonstrated that employee perceptions of organizational support (the commitment of an organization to its employees) are linked to employee attendance, commitment, performance, and citizenship behavior (Eisenberger, Fasolo, & Davis-LaMastro, 1990; Eisenberger, Huntington, Hutchison, & Sowa, 1986; Settoon et al., 1996). Other research has found that helping forms of citizenship to be the outcome of role-making processes which require the exchange of reciprocal reinforcements (Settoon et al., 1996; Wayne & Green, 1993) and balanced contracts in which parties are seen as upholding their reciprocal obligations (e.g., Robinson, Kraatz, & Rousseau, 1994). Consistent with the reciprocity perspective on help-giving, I hypothesize:

H3: Employees who have received help from coworkers will engage in helping forms of citizenship behavior.

RATIONAL CHOICE AND HELPING

Social interaction models suggest behavior in any interpersonal interaction can be guided by the principle of maximizing rewards and minimizing costs to optimize outcomes. Acts of helping directed at others can be instrumental in acquiring materialistic, social, or even self-reinforcing rewards (see Blau, 1964; Homans, 1961; Lerner, 1977). Social psychological models of help-giving conceptualize helping behavior as the outcome of a calculative decision-making process and have two central propositions: (1) as material, social, and psychological costs for helping others increase, helping decreases, and (2) as material, social, and psychological costs for not helping others increases, helping increases (Schwartz & Howard, 1984).

The nature of an employee's job may increase the perceived personal costs (or decrease the perceived personal rewards) for helping others. For example, drawing on theories of motivational choice (e.g., Vroom, 1964) and the concept of resource-dependent tasks (e.g., Kanfer & Ackerman, 1989), research has shown that complex tasks and difficult performance goals tax individuals' limited attentional resources such that individuals must make a trade-off between engaging in role-prescribed behavior and non-required behavior such as helping (e.g., Wright, George, Farnsworth, & McMahan, 1993). Employees with demanding jobs may view citizenship behavior as too costly in terms of the attentional resources that must be committed. As a result, they may chose not to engage in such behavior in lieu of adequately performing those tasks that are required of them in their job description. Consistent with the rational choice perspective for help-giving, I hypothesize:

H4: Employees with demanding jobs will reduce the amount of helping forms of citizenship behavior they engage in.

METHOD

The data used to test the hypotheses were collected from individuals employed by the auxiliary services division of a state university in the southern United States. The employees worked in the food services, residential housing, custodial, and printing and duplication departments. Interviews with managers indicated that the nature of the work performed by the employees required frequent interaction to coordinate and complete assigned tasks and that many of the job activities were not routine in that many unusual occurrences or problems had to be dealt with during the typical workday. As such, it was expected that helping forms of citizenship behavior, team work, and interpersonal dependencies were prevalent in this context.

Two surveys were administered. One survey was given to all non-supervisory employees which included psychometric scales of the study variables, sociometric questions, and a place to provide background information. The other survey was given to immediate supervisors and contained scales measuring evaluations of their subordinates on various criteria. Employees completing the non-supervisory survey were asked to provide the last five digits of their social security number so that their survey could be matched at a later time with the survey completed by their supervisor.

Prior to administering the survey instrument to the auxiliary services employees, I met with the Director of the Auxiliary Services division and his department heads. At this meeting I described the purpose of the study, presented the survey instrument, and solicited comments. Subsequently, I met with the employees' supervisors at which time on-site sessions for survey administration were scheduled. Over the course of three months, five employee sessions were conducted. In these sessions, participants were first informed of the purpose of the study and that their participation was voluntary. Those employees who did not want to participate were excused from the session. Surveys were then completed and given directly to me as employees exited the session. Supervisors were given surveys, which they completed at their leisure. I returned at a later date to collect these surveys.

SAMPLE CHARACTERISTICS

The auxiliary services work site elicited an employee response rate of 72%. A total of 66 employees completed surveys. Those employees not completing surveys were either absent on the day of the data collection sessions or did not wish to participate in the study. Seventy percent of the employees were female, 74.6% were white, the average age was 26.9 years, and average organizational tenure was 2.9 years. The supervisor response rate was 80%. Fifty-eight employee surveys were matched with supervisory surveys. These matched surveys were included in the tests of the hypotheses.

MEASURES

As noted above, data were collected from (a) employees through self-reports, (b) employees' supervisors, and (c) employees' coworkers. Three formats were used to collect the data including (a) psychometric scales using 5-point Likert-type response formats -- ranging from (1) "Strongly disagree" to (5) "Strongly agree," (b) sociometric questions used to construct network measures, and (c) questions used to collect demographic information. As is common in research investigating citizenship behaviors, data on employees' level of citizenship behavior was provided by their supervisors. Supervisors used a 5-point Likert-type scale to indicate the extent to which each of their subordinates engaged in helping forms of citizenship behavior. Focal employees' degree of network centrality and received helping from coworkers was calculated through the responses to sociometric questions provided by their coworkers. More specifically, individuals were asked to list coworkers they interact with on a daily basis and indicate for each employee listed the nature of the interaction.

Consistent with theory and research on help-giving and citizenship behavior (Burke et al., 1976; DePaulo, Brown, & Greenberg, 1983; McAllister; 1995; Settoon & Mossholder, 1996), three measures reflecting help-related behavior were created for the present study: instrumental assistance, social support, and need-based monitoring. Building on extant citizenship scales, instrumental assistance was measured with four items (e.g., "[This employee] helps coworkers with difficult assignments, even when assistance is not directly requested"; α = .93). This scale measured behaviors aimed at assisting coworkers with work-related problems. Four items measured social support ("[This employee] takes time to listen to coworker's problems and worries"; α = .87). This scale measured behaviors that are person-centered, given with the intention to help coworkers deal with (as opposed to solving) problems confronting them. Finally, need-based monitoring (collected from employee through self-report) was measured with three items (e.g., "I try to stay aware of when my coworkers are having difficulties"; α = .69). This measure reflects a behavioral orientation toward being responsive to the needs of coworkers.

McAllister's (1995) five item affect-based trust scale was used to measure trust. Scale items reflect interpersonal trust emerging from relationships that are characterized by emotional ties and care and concern for another's welfare (e.g., "We have a sharing relationship. We can both freely share our ideas, feelings, and hopes"; α = .88).

Social network methodology was used to measure individuals' status in informal organizational networks. Using a procedure similar to Ibarra (1993), the network centrality index was constructed by asking respondents to list the first and last names of up to eight employees that they interacted with on a daily basis. For each coworker listed, employees were asked to indicate what type of involvement they had with this individual. In other words, they were asked to indicate if a coworker they listed is someone (a) with whom they discuss what is going on in the organization, (b) they approach when they want advice on a decision they have to make, (c) who is dependable in times of crisis, and/or (d) who helps them when they have problems at work. Answers to these questions provided

the raw data used to calculate the degree of centrality in the organization's communication, advice, support, and help networks, respectively.

Centrality was operationally defined as "in-degree" centrality (Knoke & Burt, 1983). This index is a function of the number of different persons who chose a focal person. The greater the number of coworkers choosing a focal employee, the greater the centrality of that employee. This measure captures status and distinctions between subordination and superordination (Knoke & Burt, 1983). The centrality scores for each network were combined to form one measure of overall centrality ($\alpha = .93$).

The measure of received help was generated using the sociometric data. Research has shown that the number of social relationships an individual has is related to the perceived amount of helping received (Cutrona, 1986). I created the measure of received help by summing the number of coworkers with whom each employee indicated they had a supportive and helping relationship.

Job demands was measured with a six-item work overload scale (Harris & Bladen, 1994). The items tapped the amount of work employees have to do, how much time employees have to do their job, and how difficult standards for the job are (e.g., “It often seems like I have too much for one person to do”; $\alpha = .81$).

ANALYSES AND RESULTS

The means, standard deviations, and intercorrelations among study variables are presented in Table 1. Among the helping behaviors, instrumental assistance and social support were positively correlated ($p < .001$), whereas need-based monitoring was positively correlated with social support ($p < .05$). Among the variables reflecting the different perspectives on giving help, only work overload was not correlated with at least one of the forms of helping behavior studied.

Table 1: Descriptive Statistics and Intercorrelations among Study Variables

	Variable	M	SD	1	2	3	4	5	6	7
1.	Instrumental assistance	3.58	.91	--						
2.	Support	3.82	.80	.73***	--					
3.	Need-based monitoring	3.72	.78	.06	.33*	--				
4.	Interpersonal trust	3.66	.81	.09	.30*	.48***	--			
5.	Network centrality	2.73	1.51	.56***	.49***	.07	.02	--		
6.	Received support	7.42	4.67	.26+	.30*	.25+	.10	.33**	--	
7.	Work overload	3.04	.92	.06	-.06	-.16	-.13	.26*	.36**	--

Note: +$p < .10$; *$p < .05$; **$p < .01$; ***$p < .001$.

Multiple regression was used to test the hypotheses. In these analyses, instrumental assistance, social support, and need-based monitoring were the dependent variables and trust, network centrality, received help, and work overload were the independent variables. Results of the analyses are presented in Table 2. As seen, support for the hypotheses is indicated. In general, the different variables reflecting rules for giving predicted helping and the signs of the regression coefficients were in the hypothesized direction. However, the importance of each in predicting helping behavior varied dependent on the type of helping behavior being predicted. More specifically, whereas only network centrality predicted instrumental assistance, all of the variables except received support predicted support behavior. Also, only trust and received support predicted need-based monitoring.

Table 2: Results of the Regression Analyses

	Instrumental Assistance			Need-based Support			Monitoring		
	$	R^2	F	$	R^2	F	$	R^2	F
Interpersonal trust	.07			.27*			.43***		
Network centrality	.58***			.53***			.05		
Received support	.10			.17			.24*		
Work overload	-.16	.34	6.27***	-.26*	.40	8.14***	-.17	.30	5.62***

Note: n = 52 to 56; *p < .05; **p < .01; ***p < .001.

DISCUSSION

The purpose of this study was to test simultaneously four different views regarding the motivational basis of helping forms of organizational citizenship behavior. Consistent with theory and research, results of the present study indicate that variables reflecting the four views predict helping behavior. However, the relative explanatory power was dependent on the type of helping behavior examined. Further, of the four variables examined, trust and network centrality were the strongest predictors across the three helping behaviors studied.

In support of the need-based giving perspective, trust predicted social support and need-based monitoring. Individuals who form close personal relationships with others in organizations are more inclined to search for opportunities to help others and to provide supportive behavior when necessary. As noted above, these behaviors serve an important maintenance function for organizations. Consistent with the findings of the present research, organizations may encourage such behavior by creating an environment characterized by interpersonal trust. For example, organizations may arrange work processes so as to encourage interpersonal interaction. Frequent interaction with others generates familiarity and a corresponding trust in others (Brewer, 1979). Implementing team-based structures or simply providing opportunities for coworkers to interact after

work through organizationally sponsored social events may create the trust necessary for engendering social support and need-based monitoring among coworkers.

Consistent with the social responsibility view, network centrality predicted instrumental assistance and social support. Interestingly, in contrast to what the correlations in Table 1 indicated, only network centrality was associated with instrumental assistance in the regression analysis. Because individuals who are network central have some form of expertise or resource that is highly valued by others, they may frequently be the object of assistance requests which enhances a sense of personal responsibility. As the results of the present study for instrumental assistance suggest, employees with technical expertise, competence, and ability may be the only ones who are sought when assistance is required. Further, network central employees may be more likely to expect that their assistance will be successful and to anticipate positive outcomes for the other and themselves (Midlarsky, 1984).

As a result, managers may increase instrumental assistance behaviors in organizations by implementing training programs which enhance the job-related and interpersonal skills necessary for the rendering of effective assistance and social support. Because employees in need of help are more willing to approach other employees of greater expertise (Burke et al., 1976), managers should identify those in their work group with the requisite ability and encourage others to seek those individuals when assistance is needed.

Of the remaining variables, received help predicted only need-based monitoring, whereas work overload predicted social support. As regards received help, the findings suggest that help-giving may be more than just the result of a "quid pro quo," giving in response to receiving orientation. Blau (1964) suggested that interpersonal exchanges may be positioned along a continuum from economic to social. Whereas both social and economic exchange generate an expectation of some future return for contributions, social exchange is based on more than a simple transaction (like economic exchange) and as a result people feel a special responsibility for others' needs. Because social exchange relationships approximate communalistic relationships, received help may not have additional explanatory value beyond interpersonal trust. The non-significant beta coefficient for received help in the regression equation examining social support would offer support for this social exchange view.

As predicted, work overload served to reduce social support behavior providing support for the rational choice perspective. For example, when employees have difficult performance goals or are pressed to meet approaching deadlines, they may reduce the amount of discretionary behavior they engage in to successfully perform those behaviors that are required of them. Hence, when faced with behavioral choice, individuals will engage in those behaviors that are seen as less costly or, conversely, more rewarding. The effect was strongest for social support. Because social support entails a longer-term orientation toward others (i.e., multiple episodes of listening, talking, supporting, counseling over time), as opposed to instrumental assistance behaviors that reflect one-shot helping episodes, this would be expected. Organizations may serve to encourage helping behavior by ensuring that performance goals are not too difficult and that deadlines are

reasonable. This should give employees the "slack" attentional resources necessary for employees to engage in discretionary behaviors like help-giving (Wright et al., 1993).

In conclusion, multiple processes appear to lead to helping forms of citizenship behavior. In the present study, I investigated four motivational bases that have been proposed in theory. While the findings suggest that each perspective has value in predicting helping behavior, the variables that had the strongest and most consistent relationships across the different forms of helping behavior reflected a communalistic orientation and social responsibility norms. Future research is needed to investigate other variables that reflect the different perspectives examined in the present study. Also, because the variables reflecting the four views varied in their predictive ability dependent on the type of helping behavior being predicted, research is needed to more closely examine the dimensionality of helping behavior. It is likely that the domain of helping extends beyond the three types of behaviors investigated in the present study.

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SHARED VISION IN THE ORGANIZATIONAL CHANGE PROCESS

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ABSTRACT

This paper explores the concepts of visionary leadership, shared vision and organizational change. We examine how the term vision has been used in the management literature and discuss the differences between shared vision and visionary leadership. We discuss of the role of both shared vision and visionary leadership in the organizational change process and develop a model of the type of vision needed during each stage of organizational development. We conclude with a discussion of the development of visionary capability.

INTRODUCTION

The concepts of shared vision and visionary leadership are often confused in the management literature. There seems to be major differences in the concept of shared vision addressed in the organizational development literature and the individualistic vision addressed in the leadership literature. In his seminal work on charismatic leadership, Max Weber identified the charismatic leader as one who is set apart from ordinary men and treated as if he were endowed with exceptional powers and qualities (Weber, 1947). According to Weber, followers attributed the charismatic power and influence of a leader to divine origins and transcendent or vision-like experiences.

In the contemporary setting, a visionary leader is regarded as one with unusual imagination, discernment or foresight. A person with vision, the visionary, has come to be synonymous with innovative, ground-breaking change. In their review of the organizational change literature, Beer and Walton (1987) noted that envisioning skills are considered critical to manage change. While creative ideas may be developed by a number of people working together, they usually begin as a vision in a single mind. Henry & Walker (1991) argue that behind every change and innovation is a person with an idea, a vision that they have been able to sell to somebody else. These authors argue that to manage change successfully, leaders must articulate and propagate a vision or agenda which provides an explanation of reality and motivates subordinate behavior (Beer & Walton, 1987). Nanus (1992) argues that a leader is differentiated from a manager by the ability to function in four roles: direction setter, change agent, spokesperson, and coach. It is the ability to take on all the roles, timely and effectively, that makes one a visionary leader.

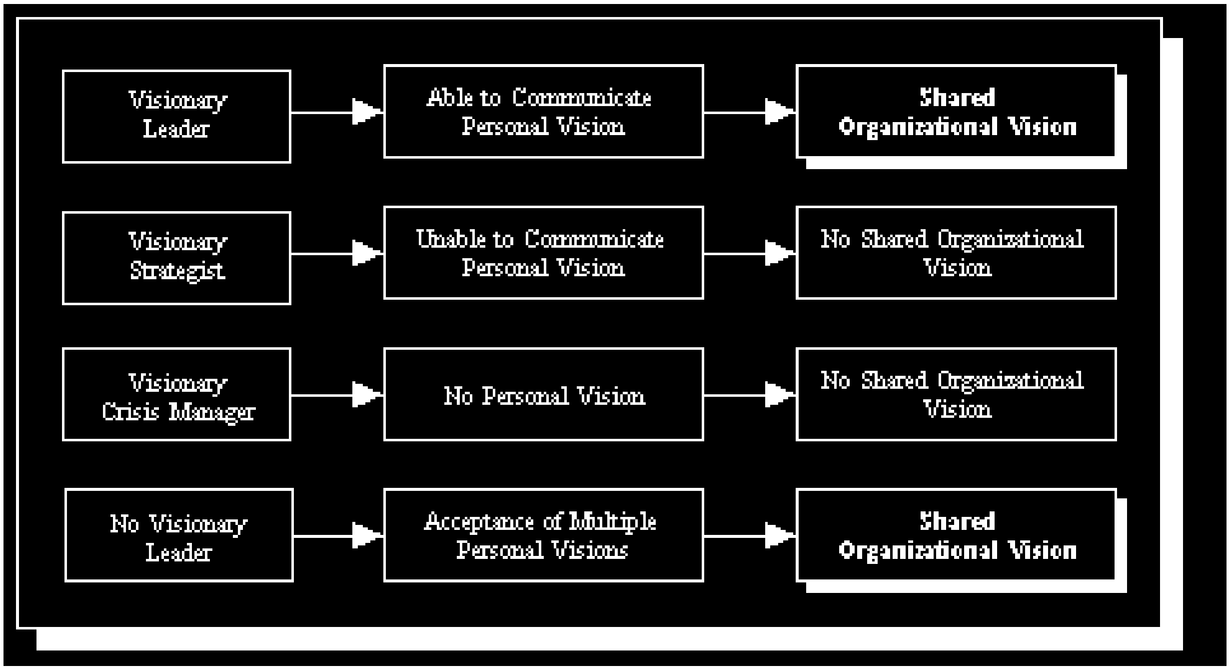
Tichy and his associates (Tichy, 1983; Tichy & Devanna, 1986; Tichy & Ulrich, 1984a, 1984b) have developed a framework for understanding how strategic leaders transform organizations. In their five stage framework, transformation is triggered by a crisis or the leader's realization that events call for a movement beyond the status quo. The transformational leader must create and convey a vision of the future that mobilizes followers.

In Tichy view, transforming an organization requires new visions and new frames for thinking of strategy, structure, and people. Transformational leaders are visionaries who create and share dreams with their followers (Tichy & Devanna, 1986). The charismatic leader is frequently seen as an agent of radical change (Conger, 1989). Bass's (1985) developed the concept of the transformational leader as a person who uses vision and charisma to influence followers and transform organizations. Sashkin and his associates (Sashkin, 1988; Sashkin & Burke, 1990; Sashkin & Fulmer, 1988; Sashkin & Sashkin, 1990) have also been working with a "visionary" leadership framework. According to their framework, strategic leaders (similar to transformational leaders) empower organizational members to realize the leader's long-range organizational vision. Kouzes & Posner (1987) found envisioning the future among the patterns of leadership behavior that emerged when individuals accomplished extraordinary things. The acts of envisioning the future, sharing the vision, and then enlisting the support of others coincides with Conger's charismatic and Bass's transformational leaders.

While we agree that visionary leadership is important, we argue that it does not *guarantee* organizational change or effectiveness. Visionaries can fail in several ways. If the vision itself is flawed, if the visionary cannot communicate clearly, or if people do not enroll in the vision, visionaries may do more harm than good. In essence, they are unable to create an organizational vision. Senge (1990) terms these individuals "visionary crisis managers" and "visionary strategists". In the case of the *visionary crisis manager*, the leader is unable to foster systemic understanding of his/her vision in the organization, and individuals in the organization end up being jerked continually from one crisis to another with no control over their time or their destiny. In the case of *visionary strategists*, the leader has a vision and intuitively grasps the environmental forces which must be harnessed to achieve that vision, but is unable to communicate or explain his/her vision and intuition to others. These leaders end up ordering people around because they are the only ones who see the vision and understand the decisions that need to be made.

How then do we explain successful, visionary companies that do not have visionary leaders? Are there substitutes for visionary leadership? We maintain that a shared vision which connects the personal visions of people throughout the organization may form the basis for successful, visionary companies. In order to build this type of shared vision, leaders, whether visionary leaders or not, must allow multiple visions to coexist, listening for the right course of action that transcends and unifies all of the individual visions (Senge, 1990). The vision necessary for change in this case comes from the creation

of a shared vision rather than being based on the vision of any one individual, or visionary leader. Each of these situations is illustrated in Figure 1 below:



Support for shared vision as a substitute for visionary leadership was found in an extensive study of high-performance companies (Collins and Porras, 1994). They found that charismatic leadership was not generally associated with the development of visionary companies. They argued that the success of visionary companies stems "from underlying processes and fundamental dynamics embedded in the organization and not primarily the result of a single great idea or some great, all-knowing, godlike visionary who made great decisions, had great charisma, and led with great authority (Collins and Porras, 1994, p. 41). Rather, visionary companies develop a shared vision among employees. Frequently, the shared vision develops slowly over time. Visionary companies work hard at building strong cultures that reinforce their core values and at indoctrinating newcomers with those values.

A TYPOLOGY OF VISION IN THE CREATION, MAINTENANCE AND CHANGE OF ORGANIZATIONS

In the past ten years the organizational change and development literature devoted significant attention to the concept of vision. The organizational development literature embraces vision as a focusing mechanism required for orderly change. Porras and Silvers (1991) discuss two types of change: organizational development and organizational transformation. Organizational development is broadly defined as the use of planned, behavioral science-based interventions in work settings for the purpose of improving

organizational functioning and individual development. Organizational transformation is a more radical change involving the creation of a new vision for the organization. A change in vision occurs most effectively when an organization develops the capability for continuous self-diagnosis and change. As a result, a "learning organization" evolves -- "one that is constantly changing to more appropriately fit the present organizational state and better anticipate desired futures" (Porras & Silvers, 1991; p. 54).

Golembiewski, Billingsley, & Yeager (1976) propose that different change processes occur in organizational development efforts: alpha, beta and gamma changes. These changes are similar to Bartunek and Moch's (1987) first-, second-, and third-order changes in organizational schema. Specifically, first-order (or *alpha*) change reinforces present understandings and interpretations in the organization (e.g. improving team communication skills in an organization that values team structures). In essence, this is *organizational maintenance*. First-order change involves minor improvements that do not change the system's core, and that naturally occur as the system grows and develops. First-order change is linear and continuous in nature and does not challenge the organization's key assumptions about cause and effect. This type of change strengthens the shared vision in the organization. Second-order (or *beta)* change is a conscious change in the schema themselves. In other words, one interpretive schema replaces another (e.g., team empowerment replaces the idea of individual autonomy and discretion). This is in essence, *organizational development.* Second-order change is a multidimensional, multi-level, qualitative, discontinuous, radical system change involving some change in shared vision. Third-order (or *gamma)* change is aimed at developing an organizational member's ability to recognize and understand existing schema and determine whether changes in these schema are necessary (e.g., developing the capacity to recognize that individual autonomy is valued in the organization, but team structures exist; on the basis of this understanding, choices between schema for individual or team autonomy must be made). This is *organizational transformation* and requires a new vision. Where vision fits into these change processes is not always clear. Therefore, we will examine the type of vision which is needed during each of these periods: organizational creation, organizational maintenance, organizational development, and organizational transformation.

VISION IN ORGANIZATIONAL CREATION

A vision is necessary for the creation of an organization. To create an organization, someone must recognize an unmet need and develop an idea or vision for satisfying that need. A central assumption in much of the entrepreneurship research is that organizational founders are fundamentally different from other people. In this regard researchers have found that entrepreneurs tend to have high needs for achievement (McClelland, 1961), risk-taking tendencies (Brockhaus, 1980), and high needs for autonomy and independence (Hornaday & Aboud, 1971). During the creation phase of an organization, visionary leadership is essential. Because the organization does not exist, shared vision or the acceptance of multiple visions is not an option. The entrepreneur

must concentrate on framing the unknown in such a way that it becomes believable; they must "create a vision". Essentially they must develop trust, a belief in the absence of evidence, that things will work out (Aldrich & Fiol, 1994). The entrepreneur must gain support through gaining trust in his mental image, his vision of a possible and attractive future. We term this type of vision: *entrepreneurial vision.*

VISION IN ORGANIZATIONAL MAINTENANCE

Vision is seen by some scholars as a means to keep an organization on track. A strong vision holds together successful, ongoing organizations with a decentralized structure. According to Collins and Porras (1991), vision has two components. First, a vision provides the organization's guiding philosophy, a system of fundamental motivating assumptions, principles, and values which transcend the organization's founders and are adopted by the organization's members. As a guiding philosophy, the organizational vision embraces core values and beliefs and the organizational purpose. Second, the vision is a tangible image of a clear and compelling goal which clearly focuses the efforts of the organization. That image is presented as a vivid description of the desired future state which makes the goal more alive.

There are two characteristics central to the role of vision in organizational maintenance. First, the vision communicates organizational values and priorities to stakeholders. Second, the organization's vision is not attributed to any single individual. Third, the vision systematically socializes new members to the collective vision which is shared by all organizational members. Thus in the maintenance stage, shared vision rather than visionary leadership seems to be essential.

During times environmental stability, a vision is important but very focused. We term this type of shared vision: *focused shared vision.* Since changes at this stage are primarily aimed at enhancing the effectiveness of the organization, the current management can usually implement first-order change (Nadler & Tushman, 1990). Furthermore, with only minor and incremental changes over a fairly long time, there is less need for a broad vision of a desirable future state since that state is assumed to be similar in all major respects to the present.

A vision as a focusing mechanism is helpful to all organizations during periods of convergence and first-order change, but a first-order vision need not be a bright, new picture of a new and better future. All that vision needs to do is ensure that all members share the same organizational goals, assumptions and values derived from the same paradigm. Therefore, it can be carefully crafted by committee. It need not change peoples behavior, only ensure that the present behavior is maintained. Thus, *focused shared vision* is adequate for organizational maintenance.

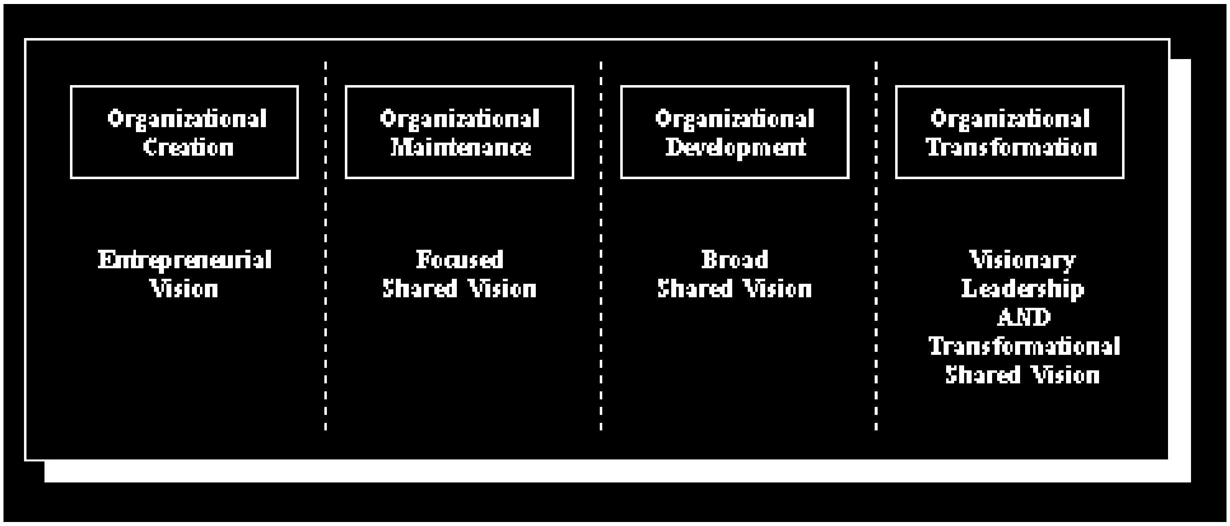
VISION IN ORGANIZATIONAL DEVELOPMENT

A broader vision seems essential, however, to accomplish the second-order change required during periods of significant reorientation. Second-order change is less linear and more intuitive in that causes and effects are more removed in time and space than in first-order changes. We term this type of vision: *broad shared vision.* Second-order change is often a long-term undertaking which creates a great deal of disorder before any evidence of success is apparent.

A shared vision appropriate to second-order change, however, is very different from the shared vision needed for organizational maintenance. Its aim is to change, not reinforce the behaviors and values of the past. A second-order vision intends to build a new reality, one more attractive and reasonable than the status quo. Second-order change is characterized by uncertainty and ambiguity with little objective evidence about the future. This type of change requires that the individuals in the organization come to an understanding concerning what change is necessary. Thus a *broad shared vision* is necessary for second-order change to occur.

VISION IN ORGANIZATIONAL TRANSFORMATION

All organizational leaders should be capable of successfully implementing incremental change but many companies need to do much more than improve themselves. They need to reinvent themselves (Goss, Pascale, & Athos, 1993). "Reinvention isn't about changing what is, its about creating what isn't" (p.98). This type of third-order change requires the creation of a new vision which we term *transformational shared vision*. When an organization reinvents itself it must change the underlying assumptions upon which decisions and actions are based. Left unchallenged, the assumptions of the past determine the future, but organizations will not address these assumptions or consider changing it unless it is severely threatened. When that time is at hand it must come to believe in some powerful new future. A leader of third-order organizational change, a transformational leader, must give them a vision. Thus during organizational transformational change, both a visionary leader and a *transformational shared vision* are necessary. The types of vision which have been discussed in relation to organizational change are illustrated in Figure 2 below:



Given the importance of shared vision and visionary leadership in organizational change, the question arises as to where visionary leaders come from. Is vision a skill that can be developed? Do we need to train visionary leaders or train leaders in the process of envisioning? In the next section, we will address these questions.

THE DEVELOPMENT OF VISIONARY CAPABILITY

Are all leaders visionaries or at least capable of leading with vision? Most authorities see visioning as a rational, step by step process and assume, explicitly or implicitly, that visionary capabilities can be learned and improved (Mink, et al., 1993; Nanus, 1992; Sashkin, 1988; Tichy & Devanna, 1986). Conger (1990), however, disagrees with this rational and linear characterization. He sees visioning as a complex process, a product of the leaders' experiences and abilities in combination with a set of opportunities. While he agrees that one can teach many of the behaviors and skills necessary for charismatic leadership (particularly rhetorical skills and the ability to organize people and resources), some people may not possess the necessary fundamental skills or cognitive orientation. The process associated with the focused vision, helpful in maintaining the status quo and effecting first-order change, does appear to be orderly, logical, rational and linear. Creating a vision to transform a troubled organization, however, relies more on nonlinear, intuitive processes.

DEVELOPING ENTREPRENEURIAL VISION

Entrepreneurs frequently must develop their visions with very little support or help. These visionary leaders need to be able to spot needs and opportunities that are not apparent to others. The creativity of entrepreneurial vision often manifests itself in the

discovery of large patterns or small discontinuities in history and/or contemporary society. The visionary leader needs to have a tolerance for ambiguity and the ability to distill simplicity from complexity. After identifying the entrepreneurial opportunity, the visionary leader needs to persuade others invest time, energy, reputation and money on the creation of a new venture. The visionary leader needs to be able to persuade others even while personally in doubt. The success of the entrepreneur's vision depends heavily on his or her ability to generate a large number of possibly successful scenarios which can be revised, modified or abandoned as the situation requires.

DEVELOPING FOCUSED SHARED VISION

Some organizations have strong organizational cultures, appropriate structures, and effective strategies that are well matched to their environments. In these cases, the leader's challenge is to preserve and maintain a high-performance organization. The primary skills required of a leader in this situation are those that foster identity, cohesion and loyalty. The primary job for the leader is to keep the a narrowly focused shared vision in front of the organization's stakeholders. When a leader is charged with ensuring that a well-run organization continues to run well, group facilitation and routine administrative skills are at a premium. First, the leader must understand, believe in, and cherish the shared vision. Second, this leader needs to be good at presenting the vision, invoking tradition, honoring the past, enacting rituals, and socializing newcomers. Finally, a leader in this situation must be willing to punish those who deviate from the organization's established vision.

DEVELOPING A BROAD SHARED VISION

Most leaders are called upon to make substantial changes while preserving the basic nature of the organizations they lead. They face dynamic environments but their companies have developed effective strategies for prospering in such environments. Leaders facing this situation need to develop a broad shared vision. They must simultaneously demonstrate the need for change while preserving the core aspects of the organization's culture. These leaders must speak confidently and persuasively about the future that will emerge. However, he or she must show support for the current programs, products and structures that serve the organization well.

DEVELOPING TRANSFORMATIONAL SHARED VISION

The transformational leader must master the skills of the other three types of leaders. He or she must be able to create the vision of the entrepreneurial leader, show respect for the values and norms that are effective, and build support for third-order change. Such leaders must be able to master many contradictions and dilemmas. Facing a hostile and turbulent environment, this leader must be calm and composed as he or she encounters

confusion, criticism and cynicism. He or she must show confidence in the correctness of the vision, and must be able to persuade others to join an effort that may appear doomed or hopeless. The transformational leader must have great emotional maturity and the ability to persist in the face of adversity. He or she must dramatize the perils threatening the organization while reassuring employees that success is possible. The transformational leader needs to be able to touch the emotional as well as the analytical.

ASSESSING THE SITUATION

The leader's success or failure may hinge on understanding the demands of the situation. Clinging loyally to an outmoded shared vision may spell doom. Trying to transform a high-performance with an appropriately strong culture may be equally disastrous. Successful leaders size us the situation accurately, develop a fitting vision and lead with confidence. Savvy leaders also take an accurate measure of their own talents, needs and predispositions. Since most leaders have a preferred style or mode of operation, not all setting are equally likely to bring success. A wise leader seek a good match between the leadership arena and his or her own leadership style.

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REDEFINING RELATEDNESS IN CORPORATE ACQUISITIONS AND MERGERS: AN ALTERNATE VIEW FOR MANAGING CORPORATE DIVERSIFICATION

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ABSTRACT

Extensive research into the relationship between diversification and economic performance has been conducted using two different perspectives. One perspective, pursued mainly by industrial organization economists, examined the effect that a firm's level (or degree) of diversity had on its performance. A second perspective, utilized by strategic management researchers, uses Rumelt's (1974) notion of product-market relatedness to explain performance differences among diversified firms. Rumelt (1974) hypothesized that firms which diversify into areas related to the original business by either products or markets would financially outperform those firms that diversify into areas unrelated (in a product or market sense) to the original business.

An alternative perspective for studying the relationship between corporate performance and diversification is proposed. Other dimensions of relatedness, such as the strategic similarity between a corporation's business units, may provide alternative means of defining relatedness. It will be argued that a redefinition of relatedness will prove valuable in expanding our ability to predict the effect corporate diversification strategy has on corporate performance.

INTRODUCTION

Diversification by large American firms proceeded at a rapid pace after World War II. In fact, two-thirds of the Fortune 500 firms were diversified by 1970 and similar patterns of diversification existed in both Western Europe and Japan. This pace of mergers continues unabated. We are in the midst of the greatest wave of mergers in American history reports a *Fortune* magazine article entitled "Sale of the Century". It states that the annual value of mergers and acquisitions has grown from approximately 200 billion dollars in 1985 to over 650 billion dollars a decade later (Whitford, 1997).

Extensive research into the relationship between diversification and economic performance has been conducted using two different perspectives. One perspective examines the impact diversity (on a continuum from highly diversified to no diversification) has on a firm's performance. Although this perspective hypothesizes that

highly diversified firms should outperform less diversified ones, empirical research does not support this position.

A second perspective utilizes Rumelt's (1974) notion of product-market relatedness to explain performance differences among diversified firms. Researchers using this perspective have theorized that corporate performance is affected by the relatedness (in a product and/or market sense) of a firm's diversity. It is hypothesized that better corporate performance is obtained when the firm follows a related diversification strategy because this strategy provides greater opportunity to exploit synergies and reduce risk.

This paper proposes an alternative perspective for studying the relationship between corporate performance and diversification. Product/market relatedness is not the only way relatedness can be conceived. Other dimensions of relatedness, such as the strategic similarity between a corporation's business units, may provide an alternative means of defining relatedness. It will be argued in this paper that a redefinition of relatedness will prove valuable in expanding our ability to predict the effect corporate diversification strategy has on corporate performance.

DIFFERENT DIVERSIFICATION PERSPECTIVES

Industrial organization economists examined the impact diversity has on a firm's performance. They use product count measures based on the continuous Standard Industrial Code (SIC) to depict the level of firm diversity. There are several different product count approaches that can be used to measure diversity. One of the simplest approaches is derived from the ratio of primary industry output to total firm output (a measure of homogeneity). The complement to this ratio (a measure of diversification) gives the relationship of non-primary industry output to total output. Another measure simply counts the number of industries in which a firm operates. A third measure uses some type of weighted index. Weighted indexes consider not only the percentage of a firm's total sales in each of the SIC codes in which it participates but also the firm's share of each of those markets (Gort, 1962).

A second perspective, adopted by strategic management researchers, utilizes Rumelt's (1974) notion of product/market relatedness to explain performance differences among diversified firms. Researchers using this perspective have theorized that corporate performance is affected by the relatedness (in a product and/or market sense) of a firm's diversity. It is hypothesized that better corporate performance is obtained when the firm follows a related diversification strategy because this strategy provides greater opportunity to exploit synergies and reduce risk.

Rumelt's study is based on the degree of relatedness a new business has with the old businesses. Rumelt defined a related business as one in which more than 70 percent of the diversification had been achieved by relating new activities to old activities. Businesses are considered related if they serve similar markets and use similar distribution systems, employ similar production technologies, or exploit similar science based research. An unrelated diversifier, one in which less than 70 percent of the firm's diversification is

related to its original skills or strengths, pursues growth in product markets where the key success factors are unrelated to each other. Despite whether the firm is an actively managed conglomerate or a more passively managed holding company, it expects little or no transfer of functional skills between its various business units (Salter & Weinhold 1979).

Rumelt (1974) compared the performance of corporations pursuing related strategies with those corporations pursuing unrelated strategies. He found that related strategies produced higher performance than unrelated strategies. Additional research using his model of relatedness (for example, Dubofsky & Varadarajan, 1987; Amit & Livnat, 1988; Blackburn & Shrader, 1990) have produced inconclusive and sometimes contradictory results.

STRATEGIC SIMILARITY PERSPECTIVE

This paper argues that relatedness in a diversified firm can be conceived of in other than the traditional (product/market) dimension. Another dimension is the degree of similarity among the separate business unit strategies of a single corporation. This type of relatedness is designated S-relatedness to distinguish it from product/market relatedness which is designated R-relatedness in this paper. The strategic similarity perspective advances the idea that a corporate diversification strategy based on achieving similarity among business unit strategies will produce superior financial results for a firm.

Unlike a firm's position in the R-relatedness dimension which is categorical, a firm's position in the S-relatedness dimension is relative. That is, a firm may have either a higher level of S-relatedness or a lower level of S-relatedness when compared to other firms. This can be illustrated using the Miles and Snow (1978) typology. If a corporation pursues an S-related strategy, its business units could all be classified as the same strategic type, for example, defenders. The firm would be considered to have high S-relatedness. If, on the other hand, a firm pursues a diversification strategy that results in different strategic types across business units it would exhibit relatively low S-relatedness.

The strategic similarity perspective develops its theoretical underpinnings from Prahalad and Bettis's (1986) idea of dominant general management logic (or simply dominant logic). Prahalad and Bettis (1986) define dominant logic as:

> **a mindset or a world view or conceptualization of the business and the administrative tools to accomplish goals and make decisions in that business. It is stored as a shared cognitive map (or set of schemas) among the dominant coalition. It is expressed as a learned, problem-solving behavior (p. 491).**

Dominant logic is a collective of the top management team's individual beliefs, theories and approaches to decision making, based on each manager's personal experience, that has developed over time. Ginsberg (1990) argues that groups don't "think per se but . . . draw upon the different cognitive abilities available among their membership . . . to

collect and interpret information and to communicate among themselves" (p. 521). Without a dominant logic, the top management team would need to approach each new organizational event as if it were unique. Dominant logic permits managers to respond rapidly and efficiently to each organizational event without the need of analyzing systematically a large number of ambiguous and uncertain situations (Prahalad & Bettis, 1986).

A major implication of the notion of dominant logic on diversification strategy is that the ability of the top management team to manage diversification is limited by the dominant logic(s) it possesses. Prahalad and Bettis (1986) state that "if the businesses in a diversified firm are strategically similar, one general dominant management logic would suffice" (p. 490). When businesses are strategically dissimilar, however, more than one dominant logic will be required.

Since multiple dominant logics are hard to acquire and maintain, it is likely that a firm will not have dominant logics readily available to deal with low S-relatedness when it arises. Consequently, managers will be forced to (or will unwittingly) use their existing dominant logic to deal with the low S-relatedness. Prahalad and Bettis (1986) note:

> **top managers are less likely to \`respond appropriately' to situations where the dominant logic is different, as well as not respond quickly enough, as they may be unable to interpret the meaning of information regarding unfamiliar businesses (p. 491).**

CONCLUSION

The S-related perspective postulates that firms with higher levels of S-relatedness will outperform firms with lower levels of S-relatedness regardless of the R-related diversification strategy being pursued. This is because increased costs are incurred by firms with low S-relatedness. These costs result from the need to change or add to existing dominant logic(s). It is plausible, then, that relatedness conceived of in an S-related way may prove useful in resolving the contradictory findings plaguing research in this area.

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THE ENTREPRENEUR AND THE NATURAL ENVIRONMENT: THE CASE OF THE SUPERFUND LEGISLATION

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ABSTRACT

In this paper, it is argued that a need exists for a flexible environmental compliance program specifically developed for small commercial/industrial property owners. The entrepreneurially-oriented small commercial/industrial property owner is identified as the appropriate target market for early acceptance of an innovative voluntary environmental compliance program. Drawing on research from the fields of entrepreneurship, marketing and strategy, an approach to the development of such a program is suggested.

INTRODUCTION

An issue of current interest in organization studies is the debate between those organization researchers who would understand the environment from an organizational viewpoint, and those who would understand the organization from an environmental viewpoint (Shrivastava, 1994). Criticism leveled at the former group by the latter is that their concern with the environment is limited to issues that threaten the egocentric identity of the firm (Boje & Dennehy, 1993). The objectives of firms with an egocentric orientation are to protect their reputation; protect themselves from legal liability; improve cost effectiveness, safety and quality; and satisfy the sense of morality of corporate leaders (Post & Altman, 1994; Brown et. al, 1993). These objectives, according to critics, will result in policies, standards, and procedures for guarding the environment only when it is in the firm's self-interest. Conversely, what is needed are efforts to maintain, preserve, or restore the health of ecosystems (Purser, Park & Montuori, 1995).

A second issue of current interest to organization researchers (and the business community) is the need for greater attention to multidisciplinary approaches to problem-solving. This calling is particularly common to researchers seeking attention to environmental matters. The purpose of this paper is to illustrate how a multidisciplinary approach may be useful in developing sound, forward-looking environmental programs. The subject is the impact upon the small commercial/industrial property owner of existing environmental regulation implemented by the Superfund laws, which govern the generation, handling, treatment, storage and disposal of toxic waste. By drawing from separate research streams in the entrepreneurial, strategy and marketing literatures for both theoretical underpinnings and practical application, a program is designed which is

aimed at leading the way from compliance-oriented environmental management to proactive environmental management.

Criticism leveled at the Superfund laws is based upon the commonly accepted view that existing remediation standards are both economically and logistically indefensible, resulting in the adoption of unethical and illegal behaviors by property owners wanting to avoid scrutiny by governmental oversight agencies (Biblow et al., 1996). These behaviors, borne of the standardized and centralized systems by which the Superfund laws are enforced, may be altered by the offer of a constructive voluntary environmental compliance program which small commercial/industrial property owners will want to be proactive in adopting.

The principal task is to design an innovative voluntary environmental compliance program that will be attractive to *entrepreneurially-oriented* commercial/industrial property owners. By identifying small *entrepreneurial* commercial/industrial property owners as an initial target market, a standard "product, price, place, and promotion" or "4P" marketing mix model can be used to provide a structure for determining how to position the program so that it will be perceived as an opportunity for competitive advantage.

In the following sections, the problems created by the Superfund legislation will be detailed and the position that a voluntary compliance program for small commercial/industrial property owners is an appropriate solution to these problems will be defended. Next, findings from extant research in entrepreneurship, marketing and strategy applicable to the design of the program will be reviewed. Table 1 provides some examples of contributions from the various literature streams. Following the discussion of relevant research underpinnings, their application to program design will be presented.

HISTORY AND DILEMMA OF THE SUPERFUND LAWS

From the onset of the Industrial Revolution, dumping toxic waste in commercial landfills and waterways was considered a practical and socially acceptable solution to growing waste management needs. By the latter part of the 1960s, however, the dangers inherent in this practice were becoming increasingly apparent. By the late 1970s, abuse of the environment had become cause for alarm.

Primarily in response to public outcry over the Love Canal crisis, the Resource Conservation and Recovery Act of 1976 (RCRA) and the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA) were enacted. RCRA imposed "cradle to grave" responsibility upon waste generators, transporters, and persons involved in the treatment, storage, or disposal of hazardous waste. CERCLA, commonly referred to as the "Superfund" legislation, was enacted in 1980 and considerably fortified by the Superfund Amendments and Reauthorization Act of 1986 (SARA). The avowed purpose of this legislation is to clean up contaminated property and to develop and enforce uniform standards for identifying, evaluating, using, handling, working with and disposing of hazardous substances.

Though well intended, existing environmental legislation has effected few positive results. Indeed, in its seventeen years, Superfund legislation has drawn severe and nearly universal criticism. It has been reproached for its exorbitant costs, the huge transaction fees paid to lawyers and consultants, and the minimal cleanup actually accomplished. To wit, the Superfund costs the government and the private sector $4.14 billion annually, 47% of which is unrelated to cleanup. For every dollar spent by corporations on Superfund activities, one-third is associated with legal expenses (GAO, 1995). Despite vast application of money, actual cleanup has been negligible. About 1,300 sites are currently listed on the National Priorities List (because they represent active danger to human health), and the number may eventually grow to 3,000 (Grumbly, 1995). The Superfund Reform Coalition reports that only 291 of the identified 1,300 national priority sites have been cleaned up to date.

Table 1: Literature Streams

4P Model Marketing Target Identification	Entrepreneurship Opportunity Recognition	Strategy Competitive Advantage	
Product issue: identifying the core needs of the program participant	Feasibility & desirability e.g., Shapero, 1982 Perception of control e.g., Dutton, 1996	First-mover advantages e.g., Porter, 1980 Shrivastava, 1995a	
Price issue: justifying the costs of the program	Likelihood of gain e.g., Dutton, 1996 Perception of opportunity e.g., Lumpkin & Dess, 1994	Start-up costs e.g., Porter, 1980 Shrivastava, 1995a	Cost of time and effort, e.g., Keaveney, 1995 Shrum et al., 1995
Place issue: positioning the distribution system for the program	Personal control and innovation e.g., Huefner & Hunt, 1994	Strategic alliances e.g., Varadarajan & Cunningham, 1995	Demographics e.g., Coddington, 1993 Adrian & Dupree, 1994
Promotion issue: identifying ways to enhance the prestige and expand awareness of the program	Need for achievement, e.g., McClelland		Government contribution to marketing effort, e.g., Ottman, 1996

In addition to issues of cost, efficiency and effectiveness, the Superfund legislation has been vilified for the draconian hardships its strict liability standards have caused many small (and often blameless) property owners. Over one hundred thousand parties have been identified as potentially responsible for Superfund site cleanup costs. Many of these

are not Fortune 500 companies, but rather are small businesses (McKee, 1995). Compliance can mean financial ruin for small business owners who cannot afford attorneys to find other potentially responsible parties (PRPs) to share the cleanup cost burden. Even when shared, the huge costs associated with remedial investigation/feasibility studies (RIFS) that are mandated before cleanup can begin and the costs of the cleanup themselves may lead to financial ruin. In short, Superfund legislation has placed an inequitable burden upon small firms which do not have the magnitude of resources required to find responsible participants or to bear the full cost of compliance.

Because of the onerous burden that compliance may require, current laws provide disincentives to ethical behavior on the part of potentially affected parties. For want of a reasonable process to solve a manageable problem, such parties are encouraged to hide contamination conditions (that is, to do no cleanup at all), to hide the illicit waste (by disposing of it illegally), or even to hide from the law enforcers the fact that a proper cleanup has been accomplished (to avoid potential complications of the agency process).

Generally, the most cost-efficient approach available to a small business will be to hide rather than rectify problems, to do no cleanup at all. Today, it is not legal to clean up a site without notifying the U.S. Environmental Protection Agency (EPA) that a problem exists. Notification, however, results in one's having to follow prohibitively expensive protocols such as performing mandated RIFS, the cost of which can be greater than that of the actual cleanup. Moreover, cleanup costs are generally unduly onerous because of the current requirement that a cleanup be performed to a pristine-based or carcinogen-based rather than a risk-based standard. That is, regardless of the future use of the property -- be it industrial or residential -- current regulations demand that cleanup be undertaken to eliminate waste to the extent that groundwater is brought to a drinkable level. To avoid incurring this expense, owners behave so as to "maintain a low profile", hopefully avoiding involvement with the EPA.

An added inhibitor of open remediation is the private sector's fear of having property publicly listed as a Superfund site. At best, the market value of such a property will be substantially reduced. Worse, property which is contaminated cannot be financed or, in some instances, insured. Since an unresolvable liability issue under the Superfund laws would destroy the value of any parcel of real estate, developers are afraid to touch these "brownfields". Avoiding public disclosure of the condition or of unapproved remediation is clearly in the property owner's best interest.

Approved cleanup requires contaminated soil to be isolated, dug out, and shipped to a secure landfill, where it is put back into the ground or stored in drums. Even after hazardous material is shipped (legally) from an owner's property to a landfill, however, the owner of the property from which it was taken retains responsibility for any problem that may occur in connection with that soil in the future; actually, forever. Ergo, if one does not ship anything or report a spill, the risk of being held accountable for contamination, and concomitant expenditures of time and money, are substantially reduced.

On the other hand, when the EPA or a state Department of Environmental Conservation (DEC) does become aware of contamination at a site, there are no limits on

what they can ask the property owner to do. Failure to comply can result in the levy of heavy fines; continued resistance may lead to the property being listed as a Superfund site. The EPA or DEC could then impose and implement its own testing and cleanup program, and hold the owner responsible for all costs.

Responsible behavior by a property owner, short of self-incriminating and wastefully expensive confession to a prosecution-minded governmental agency, results in his or her criminalization under existing laws. While it is legal to ship regulated substances from one's own property, the property owner is legally bound to report the shipping. In doing so, a paper trail is created, potentially bringing the property owner to the attention of the governing agencies. Thus, fear of the consequences of subjecting oneself to the agency process provides an incentive to hide even proper cleanup. Responsible property owners who are proactive in implementing environmental compliance programs in which qualified inspectors investigate tenant practices to identify and correct environmental problems do not report problems they find or cleanup they accomplish to relevant government agencies; thus they break the law.

A CENTRALIZED AND STANDARDIZED SYSTEM

The lack of success in enforcement of the Superfund laws rests with the inherently unfair application of standard, one-size-fits-all solutions, implemented through central federal or state oversight, to widely disparate situations. Sites requiring cleanup differ in the wide variety of business uses to which they are put, as well as in site-specific physical characteristics. Each may result in vastly different means and levels of actual and potential contamination. The results of the Superfund laws' centralized and standardized approach have been the failure of both the technical (methods of cleanup) and administrative (agency oversight procedures) sides of the environmental program.

From the technical perspective, standardization cannot result in a fair system because the levels of cleanliness appropriate to particular sites are not uniform. Acceptable preventive activities (activities undertaken to maintain the integrity of property in the day-to-day operations of ongoing businesses) and remedial activities (activities undertaken to accomplish cleanup) are not commensurate with projected risk, or the likely impact to those groundwater resources recharging existing and future drinking water aquifers. It is neither necessary nor realistic to assume that every property needs to be cleaned to a drinkable level. The operative paradigm for cleanup of contaminated sites needs to move from "how to assure cleanup which brings groundwater to pristine levels" to "how much contamination can we safely leave in the ground."

The determination of appropriate requirements for maintenance and cleanup cannot be dealt with efficiently by a centralized administrative system because of the site-specific nature of such appraisals. For example, water travels following land contours, so that contaminated waste may not pose a problem directly below the spot where it is dumped but rather at some distance, even miles away. The way to maximize results from an environmental compliance program is for regional experts to make decisions based on

regional area maps, a huge job that requires implementation and oversight at the local level.

The existing centralized system is equally ineffective from an administrative point of view. Agency understaffing and high employee turnover has led to haphazard oversight and long delays. As a result, the relationship between the government regulatory agencies and the community has become polarized and confrontational. The agencies are perceived to be inconsistent and unreasonable, contributing to the strategy of avoidance and delay on the part of the private sector. The decentralization of compliance programs is necessary to remedy these administrative problems.

Reform of the exclusive role of government in the oversight of environmental law compliance is appropriate, if not overdue. Government, business and environmental groups have come to agree that the complexity of environmental regulations has in many instances blocked or delayed the very environmental improvements those regulations were designed to foster, and has done so at needlessly high cost to individual businesses and regional economies.

A PROPOSED PROGRAM

Models of self-assessment programs for property owners already exist. One is the Risk Based Corrective Action program (RBCA), an alternative cleanup program limited to oil spills. Another is the U.S. EPA Environmental Leadership Program (ELP), a Federal pilot program which allows businesses to devise their own environmental management and compliance plans, rigorous plans which exceed existing environmental standards. Although the development of these plans takes a considerable amount of time, having a legally binding agreement in place with the EPA provides businesses with a competitive edge by saving even more time, as when, for example, manufacturing processes change and approval for new processes would otherwise have to be sought from the government.

The ELP offers a way out of the regulatory maze, but only for large companies, since it is only the largest companies which have the resources to develop their own unique plans. Therefore, although the basic principles are much the same, a different approach is needed to address the regulatory issues and costs faced by many smaller owners/operators of commercial and industrial properties.

It is proposed that a governmentally funded voluntary environmental compliance program be designed and developed that would (1) be available to small commercial/industrial property owners and operators who are the subject of regulation; (2) operate in a decentralized way, with the participation of private, certified third party providers instead of governmental employees; and (3) stipulate specific waste disposal methodology based on the specifics of site category rather than on overly broad and rigid requirements. The proposed program would incorporate a unified approach to environmental auditing, monitoring, reporting, permitting, pollution prevention, waste minimization, recycling, etc. The program would result in solutions tailored, implemented and evaluated for each commercial or industrial participant based on an inventory of

commercial/industrial businesses identifying operations, typical material used and typical wastes generated. Written guides would be prepared for each participant. Inspection and compliance protocols including techniques of handling, storage and disposal of regulated and non-regulated substances and best management practices would be pre-arranged with EPA and DEC. Oversight would be handled by properly licensed and bonded environmental consultants, much the way many municipalities today employ fire marshals and building inspectors. The program would thus have three components: technical (i.e., engineering solutions for maintenance and cleanup procedures), administrative (e.g., the practical details of costs, work duties, training, contracts with haulers, accounting, and general "hand holding" of participants) and regulatory/legal (e.g., third party certification and oversight mechanisms).

Such a program should make legal compliance easier and more agreeable than illegal and unethical "hiding" behaviors by allowing for the prevention and correction of environmental problems with a minimum of agency "red tape", thereby reducing and even eliminating incentives for illegal and unethical behavior. In short, a voluntary environmental compliance program would offer small commercial/industrial property owners an economic and viable solution to the legal and ethical quagmire that has been the result of the Superfund legislation.

"Opportunity" implies a positive future situation over which one feels a fair amount of control; "threat: a negative future situation over which one feels relatively little control (Fiol, 1995). A 1991 Booz-Allen & Hamilton survey (Newman, Breeden & Ware, 1991) showed that in most companies environmental policy is driven by threat rather than opportunity. This is not surprising. Research evidence has shown that managers are sensitive to threat, whereas they need to be convinced of the presence of opportunities (Jackson & Dutton, 1988). Moreover, people will risk more to avoid losing money than to gain it (Dutton & Jackson, 1987). In every industry there are "leaders" who tend to be more proactive – driven by opportunities rather than threats. These "leaders" can be described as having an "entrepreneurial orientation" (Lumpkin & Dess, 1966). Fitting the profile of key entrepreneurial characteristics, they are autonomous, innovative, risk taking, proactive, and competitively aggressive. Compared to perceptions of threat, when managers do perceive opportunity they tend to take more risks and are more committed to outcomes (Dutton & Jackson, 1987). Thus, it is seems reasonable to identify the entrepreneurially-oriented person as being most likely to embrace an innovative program, to perceive competitive advantage in participation, and to be willing to assume the potential risk of a new approach.

It is important to note that, though they often overlap, small business entities and entrepreneurial business entities are different. The following definitions (Carland et al., 1984, p.358) are useful in making the distinction between them: "A small business venture is any business that is independently owned and operated, not dominant in its field, and does not engage in any new marketing or innovative practices." An entrepreneurial venture

is one in which "the principal goals … are profitability and growth and the business is characterized by innovative strategic practices."

Our concern is with the development of a voluntary environmental compliance program for *small* commercial/industrial property owners. It follows, then, that the *entrepreneurially-oriented* small property owner is an appropriate target audience. Therefore, the goal of program development should be *to maximize interest and participation of the entrepreneurially-oriented small commercial/industrial property owner*.

As stated previously, opportunity "implies a positive situation in which gain is likely and over which one has a fair amount of control" (Dutton & Jackson, 1987, p.81). In piquing the interest of the entrepreneurially-oriented commercial/industrial property owner, there is a need to assure that opportunity is recognized. In terms of program development, this means designing into the program attributes perceived to be associated with opportunity.

A considerable amount of interest and research has been devoted to the task of analyzing the components and decision-making implications of the categories of opportunities and threats (e.g., Mintzberg, Raisinghini & Theoret, 1976; Jackson & Dutton, 1988). According to Ajzen's theory of planned behavior (Ajzen, 1985, 1987), one key attitude that predicts intentions is "perceived behavioral control," which is the perceived ease or difficulty of performing a behavior, a perception based on both past experience and anticipated future obstacles. The notion of control is also evident in Shapero's (1982) model of the "entrepreneurial event", which posits that the choice of behavior depends on the "credibility" of the behavior, which in turn requires the perceptions of both feasibility and desirability.

The perceived feasibility of resolution increases interest in an issue (Dutton & Webster, 1988). Feasibility appears to be quite similar to Bandura's construct of self-efficacy (Krueger & Brazeal, 1994), the perception that one has the competence to be effective. Prior research has demonstrated an association between self-efficacy and perceptions of opportunity and threat (Krueger & Dickson, 1993). Self-efficacy has also been shown to be related to proactive behavior in general (Bandura & Wood, 1989) and to the development of entrepreneurial intentions and actions in particular (Boyd & Vozkis, 1994). Thus, one important predictor of entrepreneurial behavior is the degree to which the entrepreneurially-oriented person perceives a situation which is feasible.

The other component of credibility is desirability. This construct is most easily understood within the context of rewards, a topic that spans the history of management thought from the classical thinkers like Weber (1947) and Taylor (1911), with their emphasis on extrinsic rewards, through the behavioral thinkers, starting with Chester Barnard (1938), who gave primacy to the motivating potential of intrinsic rewards, and through the seminal work of James March and Herbert Simon (1958), who reasoned that limited intelligence, information, and time results in the tendency to make decisions based on a limited search for solutions. A fascinating implication of the ideas of March and Simon is that the best way to motivate people is to shape the premises of decisions. This

emphasis on context rather than personal needs suggests that many subtle forms of motivation using both extrinsic (e.g., money) and intrinsic rewards (e.g., feelings of accomplishment) are needed to produce desired behavior.

The theory most pertinent to understanding the entrepreneurially-oriented individual is McClelland's Acquired Needs Theory, and in particular his "need for achievement" (McClelland et al., 1976). According to McClelland, people with a high "need for achievement" are striving for personal achievement as much as for the material rewards of success. They enjoy challenge and stimulation. However, since they want to succeed, they don't want to take on tasks that are too difficult. McClelland's theory often associates the achievement need with entrepreneurship. Thus, for the entrepreneurially-oriented individual, perceived desirability requires the perception of a situation which offers both extrinsic and intrinsic rewards (Weisbord et al., 1995).

Shapero's concept of credibility seems to be analogous to Dutton's concept of opportunity. If we substitute Shapero's "feasibility" and "desirability" for, respectively, Dutton's "control" and "likelihood of gain", it follows that a "credible" situation is one that is perceived as an opportunity. Consequently, feasibility and desirability are critical to opportunity recognition. In addition, following Kreuger & Dickson (1993), both feasibility and desirability are antecedents of entrepreneurial potential. Thus, applying Kreuger & Dickson's (1993) model to our task (see Figure 1) suggests that the voluntary compliance program should be designed to maximize feasibility, i.e., perceptions of control, and to maximize desirability, i.e., the expectation of both extrinsic and intrinsic rewards.

Figure 1
Antecedents to Participation in Voluntary Environmental Compliance Program

Feasibility (control)	_	**Desirability (extrinsic rewards) (intrinsic rewards)**	➔	**Opportunity Recognition**	➔	**Participation**

INCORPORATING OPPORTUNITY RECOGNITION INTO THE MARKETING MIX

A useful way to develop a voluntary environmental compliance program in a manner that will be most attractive to the entrepreneurially-oriented commercial/industrial property owner is to analyze the program in terms of a standard marketing mix. The concept of the marketing mix is considered to be the prime classification scheme in marketing (VanWaterschoot & Van den Bulte, 1992). Its four elements of product, price, place (distribution) and promotion each play a unique role in influencing product demand. The "4 Ps", as they are often called, are most commonly applied to the marketing of retail products targeted to the individual consumer. However, the same model can be used in marketing any product or service and any target market. In the case of the voluntary environmental compliance program, we are marketing a complex product to a commercial

audience. In the following section, product, price, place, and promotion are defined and discussed in this context.

PRODUCT. **In making product design decisions, it is not sufficient to view the product as simply an item or a set or features. Rather, product is described as a "set of benefits" (Shapiro, 1991), and as a "complex cluster of value satisfactions" (Levitt, 1991). The first step in creating this set of product elements is** ***identifying the buyer's "core needs",*** **that is, ascertaining what the buyer seeks from the product. Identification of buyer needs and wants is necessary prior to** ***design and development*** **of the product itself, which is the second step of the process. In this way, a clear profile of buyer benefits and satisfactions provides the underpinnings of product design. The final product, often referred to as the augmented product, consists of the** ***total mix of core product benefits and actual product features*****. For example, in designing a typical retail product, the augmented product meets buyer needs through package design, brand image, product features, and such additional benefits as training and service, to name just a few of the potential tangible and intangible "value satisfactions".**

Numerous small commercial/industrial property owners lease property to tenant/operators -- from electronic manufacturers and defense contractors to everyday neighborhood businesses such as dry cleaners, printers and photographic processors -- who store, use and dispose of a variety of hazardous materials. According to Shrivastava (1995b), lower liabilities make a company a better credit risk and less vulnerable to litigation, both of which can be important sources of competitive advantage. This is particularly true in pollution intensive, energy intensive, and natural resource intensive industries. Core needs and desires of the entrepreneurially-oriented commercial/industrial property owner are therefore likely to include competitive advantage in the form of protection from the risks of noncompliance.

Core needs include the intrinsic rewards which the buyer seeks from the product. Among the characteristics of the entrepreneur, cognitive and emotional needs include a desire for recognition and prestige (Huefner & Hunt, 1994). Therefore, in addition to the easing of compliance burdens, the entrepreneurially-oriented commercial/ industrial property owner will also be expected to favor a program that provides the prestige associated with environmentally responsible behavior. The augmented product would consist of a proactive environmental compliance program plus ancillary features designed to minimize exposure to environmental liabilities and improve company image.

PRICE. **Historically, price has been considered the most important factor in the buyer's decision-making process. The first-time buyer must be persuaded that the costs of purchase are worthwhile, given potential benefits. Benefits can be thought of in terms of two categories: performance and cost. The nature of the expected benefit is of major concern to the new buyer. According to Porter (1980), early buyers most often seek performance benefits, as cost advantage is insufficient to offset the uncertainty of a new product. Criteria suggested by Porter as germane to buyer receptivity include such aspects of the nature of the benefit as how large the performance advantage is for the particular buyer (differences in situations will create differences among buyers); how obvious the**

advantage is to the buyer; how pressing the need to improve along the dimension offered by the product is for the buyer; whether the advantage will improve the buyer's competitive advantage; and how price and/or cost sensitive the buyer is.

In addition, costs considered by the entrepreneurially-oriented commercial property owner in making judgments about the price-benefit trade-off of a voluntary environmental compliance program will include the monetary cost of administering the program, cost of time (Keaveney, 1995), inconvenience and cognitive effort (Shrum et al., 1995). Environmental tasks may incur monetary cost, due to the need for new designs, set-up costs, changeover from existing procedures, and personnel training (Shrivastava, 1995a). The cost of time and the cost of cognitive effort result from an initial lack of know-how and the requirements of the learning curve.

***PLACE*. The third element of the marketing mix, choice of distribution channel, has a significant influence on product positioning. The distribution channel will impute attributes (such as status) to a product and, concomitantly, will affect which demographic and psychographic market segments are reached. For example, legal services advertised on television are apt to be seen as less high-brow than legal services attained by word-of-mouth reputation and are likely to appeal to a market that is less sophisticated about legal matters and also is seeking a lower price point.**

When positioning environmentally, several demographic characteristics are noteworthy. One is income level; the higher the income level, the more likely it is for people to be well informed about environmental issues (Coddington, 1993). Moreover, individuals most dedicated to the environment tend to have a high level of education and be in the "baby-boomer" age bracket (Adrien & Dupree, 1994).

Interestingly, the trait of locus of control, individuals' beliefs about their degree of control over events in their lives, has been linked to both environmental concern and entrepreneurial behavior. Research has demonstrated that managers with an internal locus of control believe in the controlling value of their own behavior (Govindarajan, 1989) and aggressively pursue both product and process innovations (Roth, 1995). The desire for personal control and for innovation are well documented needs of the entrepreneur (Heufner & Hunt, 1994). Research has also associated an internal locus of control with the propensity to engage in pro-environmental behavior (Shrum et al., 1995).

The entrepreneurially-oriented small commercial/industrial property owner will likely be most strongly attracted to an innovative program over which there appears to be opportunity for personal control. Indeed, programs that are designed to prescribe in detail and control tightly are "contra-entrepreneurial by their very nature" (Shapero, 1981, p.21). This suggests that an effective system of delivery will be one that assures the user of a good deal of participation and authority over program implementation. Additionally, given the prior identification of the entrepreneur's desire for recognition, the delivery system should be one that maximizes status and recognition for the participant.

***PROMOTION.* Promotion activities are communication efforts that aim at moving potential and current customers from unawareness, through knowledge, persuasion, and decision stages, to confirmation (Rogers, 1983). Typical promotion activities include**

advertising, personal selling, sales promotion, and public relations efforts. In considering promotion for the voluntary compliance program, our objectives are to enhance the image of the program, expand awareness of the program, and communicate issues which educate buyers about environmental responsibility. One strategy for accomplishing these goals is the formation of environmental strategic alliances.

Strategic alliances are a manifestation of interorganizational cooperation (Day, 1995). The formation of a strategic alliance "entails the pooling of skills and resources by the alliance partners, in order to achieve one or more goals linked the strategic objectives of the cooperating firms" (Varadarajan & Cunningham, 1995). These agreements include joint ventures, joint research and development agreements, technology exchange, direct investment, licensing, and a host of other arrangements. Many empirical studies have documented the dramatic growth of such alliances (Gulati, 1995).

The growing trend toward cooperation in environmental matters between industry, trade associations, regulatory bodies, and state and national legislatures (Dutton, 1996) highlights the recognition by traditionally adversarial groups that building relationships with key stakeholder groups is more effective than fighting. There is ample anecdotal evidence that private groups have joined with the government to create programs that help cooperating businesses take advantage of opportunities for new markets and gain access to new technologies and product ideas (e.g., Dutton, 1996; Ottman, 1996). Terms like "enviro-capitalists" (Anderson & Leal, 1997) and "market-based environmentalism" (Forbes, 1996) are used by those who argue that local, private initiatives can produce environmental solutions that are not only more creative but also more economical than government imposed mandates (Forbes, 1996).

According to Porter (1980), start-up costs are both tangible and intangible. Intangible costs create barriers to entry due to the difficulty of duplicating the favorable conditions represented by the costs within reasonable cost and time limits. One of the intangible costs applicable to small commercial property owners is firm image, and the environmental strategic alliance provides a vehicle which can enhance the reputation of the entrepreneurially-oriented small commercial property owner. In various state, county and industry programs, the U.S. Environmental Protection Agency has provided marketing and public relations support in the form of logos, stickers, and patches; government-sponsored ads in area newspapers and on TV and radio stations; and other marketing support to help partner companies garner public recognition for their efforts (Ottman, 1996). Indeed, promotion is an important function of environmental strategic alliances.

APPLICATION TO PROGRAM DESIGN

A successful program design should maximize opportunity recognition by enhancing the feasibility and desirability of the program. In the following section, suggestions are made for the development of a program that will both reduce regulatory burden and stimulate innovation. Table 2 provides a summary of the context-specific "4P" issues and the program elements that are recommended.

PRODUCT. **The core needs of small commercial/industrial property owners include minimal exposure to liability, maximum competitive advantage, and enhanced company image. Limiting exposure to liability will be most successfully accomplished by clear prescriptive compliance procedures applicable to both preventive and remedial activities, for such a product will provide certainty of compliance to participants. As in the Environmental Leadership Program, participants may be allowed a limited period during which they may correct violations disclosed to the EPA and State DEC. Moreover, participants may be exempted from routine regulatory inspections at their facilities once acceptable self-inspection and third party oversight procedures are in place. Program benefits also may include a streamlined, consistent and expeditious permit application process.**

Table 2
Program Elements to Enhance Feasibility and Desirability

4P Issues	Opportunity Recognition Ways to Enhance Feasibility and Desirability
Product issue: core needs	Provide clearly prescribed compliance procedures.
Minimize exposure to liability	Allow time to correct violations.
Competitive advantage	Exempt participants from routine regulatory agency inspection.
	Streamline permit application procedures.
Participant control	Include participants in program development.
Enhance company image	Provide marketing support and media exposure.
Price issue: costs	Simplify regulatory requirements.
Monetary costs	Minimize capital costs.
	Provide access to (better and cheaper) emerging technologies.
Cost of time and effort	Provide government subsidies.
	Provide training, administrative and technical support.
	Create sector-specific environmental assistance centers.
Place and promotion issue: development,	Establish a separate, quasi-public agency for program
delivery system	administration, and promotion.
environmental	Include representatives from government, industry, and
High participant control	advocacy groups.
High status	Publicize the program on a national level.
Program reputation	Publicize participating companies on a local level.
Firm reputation	Provide marketing support to participating companies

The successful program would provide an important source of competitive advantage for participants through the opportunity afforded to help "shape industry structure" (Porter, 1980). Early participants can be given the opportunity to work with regulatory agencies to set program standards, policies, methodologies, cost supports from government and other conditions of the program. In addition to providing the appealing possibilities of creativity and innovation, participants would be influencing development of

a program with the greatest potential for yielding them a strong long-term position. Finally, an effective program should contribute to the development of an enhanced image and reputation for the environmentally responsible participant by including a vehicle for positive publicity. This matter will be discussed in more detail further on.

PRICE**. Both the monetary and non-monetary (such as time and effort) costs of the program will be of major concern to its early participants. The successful program may be expected to reduce a participant's operating costs by simplifying regulatory requirements, enabling the avoidance of bureaucratic effort and costly regulatory delays. In addition, program guidelines should promote ways for participants (and others) to use fewer dangerous materials, thereby limiting the need for future cleanup. (A certain amount of pollution control is simply a result of "good housekeeping", which will also serve to increase efficiency and save money.)**

Program developers would be well advised to create and rely upon solutions that provide participants with access to better and cheaper emerging technologies for pollution prevention and environmental compliance. Expensive upgrades of existing technologies, requiring significant capital investments and adding to sunk costs, would generally be resisted by the small business entrepreneur. Government subsidies for early participants initially investing in necessary equipment may prove to be a valuable program catalyst.

Non-monetary costs include both the time necessary for program implementation and the time necessary for ongoing program procedures. Implementation time may be reduced by providing early on-site administrative and technical assistance and training. An effective program could establish centers offering sector-specific environmental assistance to participating businesses on an on-going basis. These centers could provide staff experts to answer questions on monitoring, reporting, dealing with vendors, and emerging technologies; and could generally educate property owners and their tenant operators regarding the many aspects of waste management.

PLACE AND PROMOTION**: A voluntary environmental compliance program is, in essence, a service and its delivery system the service provider. The distributor by necessity will be the marketing agent for the program, and must therefore be responsible for its promotion. As effectively inseparable program aspects, they will be treated together.**

The choice of delivery system for the program and the attendant methods of enhancing its public reputation as well as the status of participating firms represent critical success factors. The selected delivery system should promote participant control and confer prestige on participating property owners. Possible venues for distribution of a voluntary environmental compliance program could include regulatory agencies, third party oversight bodies, or a separate quasi-public agency established specifically for the purpose of working with early adopters. Of these, a separate agency established exclusively to develop, administer and promote a voluntary environmental compliance program is the most likely to confer the greatest strategic benefit as well as the greatest prestige to the program. In addition to representation from regulatory agencies, the agency's governing board should include small commercial/industrial property owners and environmental advocates.

By including representatives from each of these (often adversarial) groups, the agency would accomplish several objectives. First, it would increase the quality of decision-making by bringing all points of view to bear, thus providing more complete knowledge and information to the decision context. Second, it would increase cooperation among the various constituencies represented by increasing their understanding of differing points of view. Third, it would by providing the program participants with an active role in – and resulting sense of control over – the process by which they will be governed.

The agency would additionally provide an effective platform for reaching out to each of the stakeholder groups. The agency's effectiveness would be enhanced by its ability to facilitate interaction with the EPA and state DECs. The participation of representative parties actually engaged in the program would provide credibility regarding costs and benefits with the larger community of potentially affected persons. The participation of an activist environmental group would assure that fundamental environmental concerns are being adequately addressed by the program. Finally, the status of the agency, its success, and the resulting status to be accorded its governing board would contribute to its ability to successfully publicize the program and the program participants.

CONCLUDING COMMENTS

Scholars, public officials and even environmentalists are questioning the effectiveness of traditional "command-and-control" regulatory approaches to improving environmental conditions (Reams, 1995). Dictation of standards and of procedures for their satisfaction by governmental "police" authorities no longer represents the sole acceptable approach. Many large companies are working with governmental agencies toward a more flexible system that sets the standards but lets the companies determine how best to comply with them (EPA, 1996).

In this paper, it is argued that a similar need exists for a flexible environmental compliance program specifically geared toward small commercial/industrial property owners. The entrepreneurially-oriented small commercial/industrial property owner is identified as the appropriate target market for early acceptance of an innovative voluntary environmental compliance program. Drawing on research from the fields of entrepreneurship, strategy, and marketing, an approach to the development of such a program is suggested.

Whether or not the program elements incorporated into the program design proposed herein are the most desirable can be debated. The objective of this paper is not to create the definitive model of a voluntary environmental compliance program; rather, it is to demonstrate the process by which such a model could be developed and, more generally, how a multidisciplinary approach can be useful for the development of environmental policy.

America has a long tradition of wealth creation through the production of goods and services without regard to the effects of production technology on the environment. For decades, however, the public has shown an increasing sensitivity to the protection of the ecosystem. The rising tide of concern about the environment has led to government intervention in the form of environmental regulations meant to repair damage caused by past transgressions and to prohibit future system debilitation. Unfortunately, the execution of these existing remedies has been seriously flawed. Federal, state and local governments, environmental advocates, and business leaders are all seeking ways to move industry "beyond compliance". This paper has attempted to demonstrate one way in which organizational research can help.

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BALANCING HUMAN RESOURCE LIABILITIES: DEFAMATION, NEGLIGENT HIRING, AND NEGLIGENT REFERRAL

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ABSTRACT

American society has become litigious, and no aspect of it more noticeably so than the employment relationship. During the last few decades, privacy concerns have arisen over the use of information collected on individuals, their rights of access to such information, and the sharing and use of that information by previous and potential employers. One consequence has been a dramatic growth in the number of defamation lawsuits brought by employees against employers. In order to avoid such liabilities, many employers have seriously curtailed the amount and type of information they will obtain and release concerning (previous) employees. But the free flow of information is vital to the safety and productivity of the workplace. In light of this, employers have become subject to new liabilities. Employers who do not obtain and use information concerning employees' former actions can be found liable for negligent hiring. Furthermore, some jurisdictions recently have recognized the tort of negligent referral. Employers who knowingly withhold negative information regarding their former employees may be held liable to the new employer and even to other injured persons. This paper explores these liabilities and suggests strategies for employers that will allow them to share communications concerning previous and future employees for the benefit of all concerns.

LEGAL ISSUES

Several pieces of federal privacy legislation were enacted in the 1970's due to concern over the increasing ability of organizations to collect information afforded by computer storage technologies. The three federal laws whose effects have been felt in the area of references are the Privacy Act of 1974, the Fair Credit and Reporting Act (FCRA) of 1970, and the Family Education Rights and Privacy Act (and its Buckley Amendment) of 1974. The general thrust of these acts is provision to the individual access to information held concerning him and the right to amend or correct it. In addition to federal laws, states have enacted privacy acts, many of which give persons right of access to all items in personnel files relating to them or their employment status (Bell, Castagnera, & Young, 1984).

Inherent in the concern for collection of information by organizations is that the information will be communicated to others. While the right to privacy is legislative, the

basis for a suit concerning communication arises from common law and is generally covered by state law through the tort of defamation. Defamation can be written (libel) or oral (slander) (Stevens, 1978).

Defamation (libel or slander) in the business relationship is false communication that "prejudices another in his business, trade, or profession and, as a natural consequence, prevents him from deriving therefrom that pecuniary reward that he probably would have obtained" (Bell, et. al., 1984, p. 34). Specifically, liability for defamation has the following necessary elements: 1) There must have been a false statement (Martin & Bartol, 1987); 2) The defendant must have been responsible for publication of the false statement to a third party; 3) Harm or damage must have resulted from the publication of the false statement (Yulish & Heshizer, 1989). Even if the former employer does not communicate directly to another party, communication made solely to the employee can sometimes be recognized as compelled self-publication, which may fulfill the element of publication (Blodgett, 1987), thus resulting in potential liability.

The law recognizes that the benefits to society of uninhibited discussion about an employee may outweigh an employee's reputation rights. Employers who are charged with defaming employees have two major defenses, truth and the condition (qualified) privilege. The first defense against a charge of defamation is that the statement is true, for in such a case the plaintiff is considered to have forfeited his good reputation through his own actions (Stevens, 1978). As stated by Ralph Brown of Yale Law School, "Truth is a defense even if the words are hurtful" (Brown, 1987, p. 54). In response to a prima facie charge of defamation, the burden of proof for establishing of the truth of the statement is on the defendant. However, much information in employee references is subjective and cannot be proven to be true or false.

Even if the defendant is unable to prove the truthfulness of the statement, the defense of conditional (qualified) privilege may be available. In business communications, qualified privilege exists because "a duty to speak and an interest to hear are relatively more important than an individual's reputation" (Bell, et al., p.35). Certain conditions are required for qualified privilege to exist. Communication regarding an employee's business conduct is conditionally privileged if it is expressed in good faith, without malice, by one who is in a position to evaluate to another who has a legitimate interest (Dube, 1986). *Arsenault v. Allegheny Airlines* stated that the general rule that an employer's remarks about an employee's work record are conditionally privileged and actionable only if proven to be malicious (Duffy, 1984). The importance of such communication is reflected by the fact that as of July, 1996, at least 26 states have enacted legislation recognizing the qualified privilege of employers in providing information concerning former employees (Abrams, 1996).

The threat of defamation has had a chilling effect on the availability of relevant information for use in hiring decisions (Revenge..., 1987). Employers are attempting to protect themselves in several ways. Many simply refuse to give any information concerning former employees except job title and dates of employment. A 1989 survey by the National Association of Corporate and Professional Recruiters revealed that, because of

fear of lawsuits, about half of all companies surveyed have a policy against giving references beyond dates of employment and job title (Companies Refuse.., 1989). Others issue only positive or "increasingly bland and less useful" reference letters (Knouse, 1990, p. 6). Still others require employees to sign waivers or agreements concerning rights of access or liability. Some companies have withheld the reason for termination even from employees in order to avoid defamation suits under the compelled self-publication doctrine (Yulish & Heshizer, 1989).

However, in the same 1989 survey, 81 percent of the firms reported that they try to check references on applicants before extending job offers. In 1994, two-thirds of executives reported that getting reference information had become more difficult within the last three years (Matthies, 1994). It is widely recognized that reference information is viewed as potentially valuable in the marketplace (Fergus & Fergus, 1996) and that withholding reasons for dismissal has associated costs, by not allowing other employers to screen applicants based on prior work histories. One of the costs associated with a dearth of information concerning potential employees is the liability employers face for negligent hiring.

Negligent hiring addresses the employer's obligation to the safety of employees and the public (Greengard, 1995). Negligent hiring is a liability faced by an employer whose employee engages in a harmful action if the employer did not sufficiently check the employee's background for tendencies predictable of subsequent injurious behaviors (O'Meara, 1985). The prima facie case for negligent hiring require that: 1. the employee was unfit, 2. the employer's hiring of the unfit employee was the proximate cause of injuries and 3. the employer knew or should have known of the employee's unfitness. The thoroughness of investigation is judged by the degree of risk associated with the position (Ginsburg, 1996).

Employers are liable under two scenarios. In the first, an employer knew of negative information and did not use it. An example of this is a realty company who had actual knowledge of, but disregarded, the history of an agent who, after she was hired, defrauded a client (*Pruitt v. Pavelin* (Ginsburg, 1996)). In the second, if an employer did not discover information but could have with reasonable care. An example of this is a property management firm who hired a caretaker without any background checks. He used his passkey to enter an apartment and sexually assaulted a tenant. His prison sentence for violence crimes was ruled to have been readily discoverable (*Ponticus v. K.M.S. Investments*, (Ginsburg, 1996)).

The principal defenses are the criteria of reasonable care (Cook, 1988) and of foreseeability (Ginsburg, 1996). Extrapolating from *Black's Law Dictionary,* Cook (1988) defines reasonable care from an HR professional's point of view as whether: 1) the company reason to know; 2) they could reasonably foresee harm to others; and 3) the negligence in (1) and (2) caused harm. The key to defense is the reasonableness and the appropriateness of the conduct of the employer.

It is not difficult to see the frustration met by employers who try to investigate applicants but find previous employers unwilling to provide information regarding

incompetence or misappropriation (Yulish & Heshizer, 1989). This is particularly true in situations in which employees were allowed to resign rather than be fired (McConnell, 1993). Recent events may serve to encourage the more complete exchange of information by prior employers. Courts in several states have recently recognized another tort, that of negligent referral.

***Negligent referral* has been recognized in a few states recently. This liability arises from an employer's failing to provide negative information about a prior employee after a legitimate request. In *Randi W. v. Muroc Joint Unified School District,* the California Supreme Court held that under common law authors of reference letters have a duty to prospective employers and to third parties not to misrepresent former employees' qualifications or character if, in doing so, foreseeable risks to third parties are masked (Reibstein, 1997).**

Florida recognized this tort in *Jerner v. Allstate Insurance,* in which Allstate Insurance company was sued by relatives of a Fireman's Fund executive who had been killed by an employee. This employee had been hired after being given a clean reference by Allstate, even though he had been terminated specifically for carrying a gun to work (Rovella, 1995). By recognizing this duty to reveal, the courts are imposing on employers a duty to share information about known harmful acts of their previous employees. In Illinois, this has been extended to cover even acts that occurred in the applicant's private life (MeyerCapel, 1997). Similarly, employees will not be allowed to hide behind this artificial shield from damaging yet truthful items.

Ultimately, society's interest in shared information is becoming greater than an employer's interest in avoiding defamation charges (Perry, 1995). Many point to this turn of legal opinion as the impetus for the job reference immunity statutes recently enacted by at least 26 states (Jones, 1996). The goal of these statutes is to codify the qualified privilege defense that has existed in common law to activate employers to provide complete, truthful, accurate references on their former employees.

IMPLICATIONS FOR HR PRACTICE

In light of the liabilities that they face, many employers have been advised to severely limit the information they provide in response to reference requests. The policies adopted by these firms usually consist of "No Comment" references, mere confirmation of dates and titles of employment (Kleiner, 1993). These policies are being reevaluated for at least two reasons. First, firms are discovering that when they give no information, they receive no information. Eventually it becomes more difficult for them to avoid negligent hiring problems, because the other firms will not provide information (Sovereign, 1990). Also, the negligent referral threat means that "lies told in silence" may no longer shield the firm from liability (Kleiner, 1993; Reuben, 1994).

Along this line, employers need not, indeed should not, maneuver around references. Rather, they should be concerned with the handling of the information they maintain, record, and report to ensure it complies with the state and federal privacy

legislation. Additionally, companies should familiarize themselves with the relevant state statutes to ensure that the references they provide are actually in compliance with the immunity described therein. For example, the South Carolina statute (Section 41-1-65 of South Carolina Code of Laws) provides immunity from civil liability for information provided by employers to other employers concerning prospective employees, but only under specific requirements. In this statute, the requirements for the information provided are (Abrams, 1996):

1.	**The information provided must be based on a written evaluation of the employee which occurred before separation, and which was signed by the employee.**
2.	**The information provided must include any rebuttal/response by the employee to the evaluation, and**
3.	**The employee was given a copy of the evaluation, if requested.**

In addition, the communication of that information is only protected if:

1.	**The request from the prospective employer is in writing,**
2.	**The response is in writing, and**
3.	**The employee is given access to the information provided.**

Thus, this statute does not provide wide berth for reckless behavior on the part of former employers. In fact, it specifically exempts from immunity communication that is known to be false or given with reckless disregard for truth (Abrams, 1996).

Given protections and restrictions such as these, how should an employer frame a policy for providing references? Such a policy must address both the collection and the dissemination of information. Considerations include:

Employee files:	**Firms should maintain only that information that is necessary and should share the information with employees. Written records of performance appraisals should be maintained. Employees should be required to sign these documents, and any responses to these appraisals should be attached.**
Need to know policy:	**Firms should release information only on a legitimate, confidential, need-to-know basis (in SC, in response to a written request) (Osborne, 1980).**
Provider:	**Responses to requests should be centralized. Firms should designate and train the personnel who will be releasing reference information (Gunsch, 1992; Kleiner, 1993). Other employees should be discouraged from responding to phone calls and other "off the record" requests.**
Information provided:	**Employers should report only truthful, job-related statements that can be supported to both the employee who is leaving and to the potential employer (Panaro, 1988).**

Dissemination of the policy:	**All employees should be informed of the policy concerning references. When an employee is leaving, he/she should be provided with a consent form, releasing the information in his/her personnel file, subject to the above restrictions.**

CONCLUSION

The human resource community and, increasingly, society, recognize the value of protecting honest candor in business communication, including truth, duty, and confidentiality interests (Brown, 1987). While some argue that recent negligent referral rulings will put an end to references checking (source), most agree that these rulings should pave the way for more honest, open communication. Employers who have shied away from providing references in the past now understand that while attempting to protect themselves from potential defamation liability, they may actually be exposing themselves to other liabilities and limiting the exchange of valuable information within an industry. Responsible, professional behavior is now more openly protected.

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SIMILAR POSITIONS, DIFFERENT LEADERS: A CASE STUDY OF FOUR FINNISH CEOS AND THE EXPECTATIONS FORMULATING THEIR EXTERNAL MANAGERIAL BEHAVIOUR

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ABSTRACT

Expectations have an essential part in formulating managerial behaviour. This paper focuses on studying external managerial behaviour of CEOs in a social context and suggests that social psychological role theory offers a competent means for approaching the phenomenon in question. The aim is to describe and explain the intriguing interplay between the CEO's self-expectations and the expectations held by his/her external network of stakeholders. In this inductively oriented case study, the modification of expectations seems to culminate in and around an interpersonal influence - leadership.

INTRODUCTION

What do managers really do? This simple, perhaps rather naive, question has stimulated a plethora of studies focusing on a variety of different managers since the writing of Sune Carlson in 1951. However, a kind of mystery is still shrouding "managerial work" and scholars in this field are apt to admit that the real progress has been rather unsatisfactory, with the answers presented only partially, and the integration of the contribution inadequate. Thus, few will question the relevance of the subject - studying these socially vital jobholders, their work, jobs and/or behaviour - but one has to recognize that the existing challenges still exist. Unfortunately, research in this area seems to be considered rather old-fashioned, an evident indication of which is the lack of recent studies concentrating on the topic. Therefore, one objective of this paper is also to attempt to re-highlight both the significance and the prospects of studying managers and their work.

The primary foundations for research focusing on managerial work can be found in the classical school of management thought. The mesmerizing contribution of Henri Fayol (1916/1949) and some of his successors such as Gulick and Urwick (see e.g. Gulick and Urwick, 1937; Urwick, 1943) have stood the test of time in the form of POSDCORB. However, even in this theoretically oriented management school, there is no real consensus about what the relevant functions of management are (see e.g. Hales, 1986; Carroll & Gillen, 1987; Routamaa, Hakuli & Ryhänen, 1992).

Managerial work has also been studied from a more practical orientation by some researchers who have favoured either the inductively oriented job-analysis (see e.g. Stewart, 1976; 1982), work activity (see e.g. Carlson, 1951; Mintzberg, 1973) or managerial behaviour (see e.g. Sayles, 1964; Kotter, 1982). Their contributions have shed light on different aspects of the issue of what managers really do. The fundamental aim has been to better relate managerial work to reality. Thus, instead of the normative, universal and rather abstract lists of functions, they have mainly approached the research subject - whether "jobs" or "work" - by describing its general nature, characteristic features and lists of elements. As a result, most of these researchers have questioned and respectively disproved some common myths about managers and their work.

However, this challenging field of study is surrounded by ambiguities (see e.g. Martinko & Gardner, 1985; Hales, 1986; Stewart, 1989). The main criticisms have been concerned with the conceptual confusion around the subject, the atheoretical and acontextual means used while analysing it, and the lack of attention to effectiveness. On the other hand, the prominent critics have made suggestions for researchers in the inductive approach to be able to move forward from repeating slightly modified replications. Above all, role theory or role framework has been proposed as a useful means for analysing both the influence of expectations on managerial behaviour and the effect of individual actions and preferences on behaviour (Hales, 1986). While designing the research setting for this study, these suggestions have guided all of our choices, but the implications are most explicit in the integrated theoretical framework of the study (see also Wahlgrén, 1995). In this paper, the emphasis will be in the empirical findings, but the paper begins by presenting the theoretical background and after that the research setting.

THEORETICAL BACKGROUND

This study belongs to the inductively oriented managerial behaviour research tradition. The phenomenon studied has been focused on "external managerial behaviour". How to define "external" is rather complicated, because the demarcation between the organization and its environment is more and more indistinct due to the increasing alliances and other partnership arrangements. The solution used here is simple: all those people and groups who are outside of the formal control of the managers in question are considered external. By choosing this narrow external focus and respectively the supporting top-level orientation, we want to highlight the growing importance of nonlinear managerial work, the expectations of external stakeholders and extensive leadership thinking. The stance taken implies an underlying query about the relationship between environmental determinism and expectation enactment in external managerial behaviour. By enactment, we refer to the notion of managers proactively creating suitable environments for themselves (e.g. Weick, 1969; 1979; Bell & Staw, 1989). The selected managerial work elements are deduced from those inductively oriented studies, which can

be integrated with external focus (e.g. Stewart, 1967; 1976; 1982; 1989; Fondas & Stewart, 1992; 1994; Sayles, 1964; Mintzberg, 1973; Kotter, 1982).

The main source of influence has been Stewart's extensive contribution (e.g. 1967; 1976; 1982; 1989). Her model of both factual and perceptual demands, constraints and choices formulating managerial jobs has proved to be useful. Fondas and Stewart (1994) have further elaborated on the theme and presented a comprehensive integrated framework suitable for analysing managerial behaviour with an enactment perspective (Tsui, 1984; Miner, 1987)'.

The political nature of managerial behaviour was first identified by Sayles (1964). He stressed clearly the importance of the horizontal and/or nonlinear dimension in managerial behaviour and introduced the idea of relationships as modifiers for managerial assignments.

Most of Mintzberg's (1973) well-known managerial roles and characteristic features seem to be valid even when we focus on managers' external environment solely. In his empirical study of five chief executives, he concluded that due to occupying a position of formal authority, the manager is immersed in interpersonal relationships. These relationships provide access to informational roles, which in turn, enable the CEO to perform his decision making roles. And finally, Kotter's (1982) main contribution for this research is the ultimate introduction of networks - and networking (see also Sayles, 1964; Luthans, Rosenkrantz & Hennessey, 1985). The most stimulating aspect of this study is his implicit insights of managerial work "as a medium as well as an outcome of the interpersonal networks in which it is embedded" (Willmott, 1984, 358).

When studying a classical issue such as managerial behaviour, we need to approach it with some new perspectives. The perspectives were chosen sequentially, and partially arising from the hermeneutical dialogue between original theoretical ideas and the qualitative data collected. *The first of the assisting perspectives* is leadership, which can be seen embedded in the focal phenomenon (see e.g. Sayles, 1964; Mintzberg, 1973; Kotter, 1982). Actually, the choice is indisputable, because for us, leadership reflects the essence of management, and is also applicable in an external context. Some scholars have suggested the concept "representational leadership" for externally oriented leadership behaviour (see e.g. Hunt, Baliga, Dachler & Schriesheim, 1988). However, we propose that external leadership - whether transactional, transformational or super leadership -does not diverge from internally oriented leadership fundamentally (see e.g. Burns, 1978; Nanus, 1992).

To fit the external context, leadership is defined rather broadly. From hundreds of definitions available (see e.g. Bass, 1981; Yukl, 1989; Hunt, 1991; Bryman, 1992), we have adopted the basic idea of interpersonal influence, the most common denominator in a variety of definitions. The emphasis is on the interactive and mutual nature of this influence which extends across, over and beyond the vague organizational boundaries. And more specifically, we prefer observing this interpersonal intentional influencing between a CEO and his/her external stakeholders as a contingent and political phenomenon. This

implies that both parties want to further different interests and values and from time to time, the roles of the influencer and the influenced may be changed.

***The second perspective* selected is stakeholder thinking. This approach is quite a traditional way to conceptualize the various coalitions with which every manager has to deal all the time. In Scandinavia, the stakeholder concept is well-established thanks to the Swedish scholars Rhenman and Stymne (1965), who in their "interest group" model presented a useful framework for analysing organizations (cf. e.g. Näsi, 1995). According to them, stakeholder management is action oriented and culminates in nurturing stakeholder relationships. Freeman (1984) further cultivated the idea and suggested using the stakeholder approach in strategic management. He proposes that the external role of the executive is crucial: that in order to be effective, the CEOs have to act as spokespersons for the stakeholders, take an active role in both social and political processes and serve as builders of coalitions. We have adopted Freeman's definition and perceive stakeholders "as any individual or group who can affect or is affected by the achievement of the organization's objectives" (Freeman, 1984, 46).**

The links between stakeholder thinking and managerial work in scholarly writings are easy to find. Most researchers in the inductively oriented tradition have either implicitly or explicitly operated with "constituencies" (see e.g. Carlson, 1951; Sayles, 1964; Mintzberg, 1973; Stewart, 1982; Kotter, 1982). Stakeholders- both internal and external - have been mainly used as means of classification in either data collection, description or analysis. However, the vigour of the concept has not been sufficiently utilized. In this study, a CEO's external network of stakeholders consists of both formal and informal relationships with individuals outside his/her formal authority. The suggestion is that in order to cope with the excessive workload the CEO must either implicitly or explicitly rank his/her relevant stakeholders. This individual ranking may considerably differ from that of the organization as a whole due to some organizational factors, existing relationships and interdependencies, and personal variables. The ranking is believed to be reflected and verified in the CEO's allocation of time and personal effort. The essential element in both stakeholder thinking and interpersonal networks is some kind of stake or exchange. The most common managerial objectives of a personal nature in this exchange have been to get information, to exchange favours, to bargain, to influence, and get agendas implemented (Sayles, 1964; Kotter, 1982). We suggest completing the list with expectations as byproducts of other stakes and expectation modification as the intentional outcome of mutual political leadership processes.

Role theory is concerned with studying behaviourial roles characteristic of persons and contexts (Biddle, 1979). As the third perspective of this study, we have adapted the social psychological role theory presented by Katz and Kahn (1966; 1978). It has provided the essential means for integrating the other perspectives chosen and for theoretically analysing empirical data. First, role framework is generally considered useful for analysing occupational and social positions. Associated with each formal position and social status including that of the CEO is "a set of activities or expected behaviors" (Katz

& Kahn, 1978, 188). The focal person is thought to behave in relation and in response to these expectations received from his/her role senders. Second, these expectations concerning appropriate behaviour, as well as some of the responsive rewards and punishments concerning compliance, are communicated during interpersonal interactions between the focal person and role senders. Correspondingly, interpersonal interactions or contacts seem to be the essential element in managerial activities, as evidenced by all scholars in the field (see e.g. Carlson, 1951; Sayles, 1964; Luthans, Hodgetts & Rosenkrantz, 1988).

Third, thanks to critics of role theory (e.g. Biddle, 1979), it has been reiterated that focal persons can influence their role senders. For our framework, this emphasis on one's own choice implies that by leadership the manager can become "the source or otherwise affect or effect the expectations sent" (Fondas & Stewart, 1994, 88) in order not to be a mere puppet in the puppet show (cf. Carlson, 1951). Whether this cyclical process is called "expectation enactment" or leadership, the outcome of this intentional modification of expectations and mutual adjustments may culminate in a situation, in which the expectations of the role senders will iteratively converge on the self expectations of the CEO. Finally, as Tsui (1984) suggests a manager's perceived compliance with the expectations held by the role senders has close links to their judgement about his/her reputational effectiveness, an important issue somewhat neglected. She also states that the effectiveness of a focal manager depends on both the nature of the expectations and the influence relationships among the role senders (Tsui, 1984, 65).

In this study a focal CEO's external network of stakeholders is perceived as his/her role senders. They communicate their expectations - demands and constraints - during the continuous interactions with the CEO. The received role consists of the research subject's perceptions and interpretation about this sent role. Role behaviour is partially the CEO's response to these expectations and partially it reflects his/her own behavioural choices including self expectations, as well. In this paper we propose that a CEO's actual role behaviour will eventually reflect the current outcome of this mutual process, "*the shared expectations*". These shared expectations will be illustrated by the empirical roles of the CEOs, which are supposed to consist of not only the positional but also the personal expectations for the managers in question (see Biddle, 1979, 125). Each manager has an integrated role or a gestalt - the fundamental expression of his/her response and some supporting roles directed to different stakeholders (cf. Mintzberg, 1973). However, the enormous diversity and ambiguity of the expectations are believed to be indicative of role differentiation, too.

RESEARCH SETTING OF THE STUDY

The empirical study concentrates on describing and analysing the external managerial behaviour of four Finnish CEOs. The highest level of management was chosen in accordance with the external focus. As the primary theoretical argument for the setting, we first presume that both the possibilities of choice and the load of external

demands and constraints are most evident at the top level of boundary management (see e.g. Pfeffer & Salancik, 1978; Stewart, 1982). Second, we want to point out the enormous amount of effort and time the managing directors invest into externally oriented behaviour (cf. Carlson, 1951; Kotter, 1982).

Traditionally the scholars in inductively oriented management studies have used both quantitative and qualitative approaches. The proponents of the former methodological approach favour large samples and statistical analysis aiming at generalizations in the spirit of positivism (cf. Silverman, 1993). Their typical methods have been structured observation and surveys (cf. Martinko & Gardner, 1984; Luthans et al., 1985). The supporters of the qualitative alternative have a different philosophy of science as a starting point and thus divergent goals. The aim for increased understanding of a complex phenomenon has been the leading motive for these researchers (see Martinko & Gardner, 1985; 1990). One of the important criteria is the ability of the methods to provide a holistic perspective. Another significant point is the claim for deep and rich data collected by the active interaction between the researcher and the subject(s).

The main methodological positioning of this study is rather analogous to many studies in managerial work activity and/or job-analysis tradition (see e.g. Carlson, 1951; Mintzberg, 1973; Kotter, 1982). Instead of collecting specific data from a large sample, we have followed the suggestion presented by Martinko and Gardner (1990) and turned to the qualitative avenue. We have been looking for a holistic view of the external managerial behaviour of the CEO. For this purpose a case study approach has been seen as the most appropriate (see e.g. Yin, 1989; Gummesson, 1991). The basic research question of the original study has been explicated as follows: *what is the external managerial behaviour of the CEO and how is it formulating*? The governing purpose has been to increase our understanding about the phenomenon chosen. In order to achieve this purpose, we have had to proceed through three main objectives: theoretical, methodological and empirical.

The empirical part of the study draws on the experiences, thoughts, perceptions and actions of four Finnish CEOs. In order to create in-depth or thick descriptions of the subjects and to try to understand their realities we have had to limit the number of the CEOs studied. The case managers were chosen by using a two-dimensional framework as a starting point. The first of the dimensions was the "status" of the CEO, professional employed manager vs. self-employed owner/entrepreneur. Second, we used the type of the firm - industrial vs. service sector. In addition to this we have used purposeful stratified sampling (see Patton, 1990). The strategy for selecting the CEOs - Heli, Tapani, Kalevi and Marja - has been based on the ideal of having very different, illustrative and thus very informative cases.

The evident heterogeneity of the CEOs is rather problematic for the analysis of the data. At the same time it can be regarded as a strength for the description and this external managerial behaviour exploration. Yet, "the variation of variation" can be considered as a common denominator in most conclusions about the essence of managers and their work (see Hales, 1986; Stewart, 1989). If this kind of reasoning is arrived at

even with a purposefully homogeneous sample, we could argue for choosing a different system, as well. Finally, as this study has also been used as a means of testing the theoretical framework and of generating new ideas for future studies, we believe this heterogeneity can be useful.

The CEOs and their behaviour have been studied stage by stage by using different methods: diary techniques, some observation, various kinds of open interviews and a plethora of written documents. By using a variety of sources, it is our intention to build on the strengths of each of them and thus minimize the weaknesses of any single method. This kind of multimethod or triangulation approach for both fieldwork and analysis increases both the validity and the reliability of the data (see e.g. Yin, 1989). However, the unstructured interviews have been the primary method of data collection because of their ability to lead the researcher closer the world of the research subjects (Bogdan &Taylor, 1975). At the other extreme, the three different diary techniques have produced more "factual" data. The fundamental idea in field work has been to use the prevailing data as a base for a kind of hermeneutial preunderstanding for further data collection and research setting refinement.

The researcher did not know any of the CEOs before data collection. Three of the four managers could be approached by telephone for the original permission. The fourth one, Marja, was reached through the assistance of one of her subordinates. After these references, she decided to agree. The repeatedly explicated claim for contextual approach in management studies is reflected in our cases. The intention is to describe all CEOs and their firms together with their external stakeholders, business environments, even though two of the CEOs - Tapani and Marja - wanted to remain anonymous. The cases do not solely portray the diversity of both the subjects and their behaviour, but also the unstructured, even elaborative nature of the interviews. All the CEOs have read and accepted the original case descriptions and role interpretations (see Wahlgrén, 1995)[2]. For the validity of the study, this represents an essential confirmation. In this article the interpretation intertwines with description mainly due to space limitations, but the primary interpretations will be presented in a summary table (Table 1) and the four figures illustrating the formulation of the external managerial roles of the CEOs involved.

THE CASES

Heli - the visionary entrepreneur

> **"As I said with this label on my forehead - after 25 years in (travelling) business - the thing which makes it easy is that everybody knows me. But if I were different, I would use the official way, writing letters etc... But I can't even imagine anything like that! Everybody would start laughing at once..."**

Heli represents the owner/manager of two different firms operating in the service sector. The older one of the firms is a travel agency which she established 12 years ago. The other

is a hotel which she bought a couple of years ago. Strategically the firms have certain synergetic advantages and a lot of common customers. The co-owners for both firms are all members of her family. They have chosen to keep themselves in the background and leave the stage totally for the talented "positively labeled"[3], narcissistic actress (cf. Kets de Vries, 1994). In this respect Heli's position implies a wide personal domain with plenty of choices.

At 45, this lively, charismatic but rather contradictory CEO perceives work as her hobby, as "a nice game". Heli shares all her time between her two businesses and new embryonic projects. Nearly 70% of her total working time is devoted to and scattered around external stakeholders. The early mornings and late evenings she spends in the hotel and the rest of the long, hectic day passes by in the travel agency. Whichever the location, Heli does not hide herself behind doors or secretaries but stays visibly available. And wherever this CEO goes, the business goes with her: analogous to the ideas of MBWA, she takes her one woman "road shows" with calculated and spectacular entrées to her stakeholders, even into the main street of the town.

Heli considers herself a special network person and thinks that the fundamental secret of her success is to have such a good grip on the hundreds of people including all relevant representatives of her stakeholders. The leading motive in her managerial behaviour seems to be the forceful need for achievement supported especially by external recognition, wide publicity or simply "thanks" as she prefers to put it. She utilizes all the publicity available, even though denying this fact occasionally. The visibility is just the starting point but an effective way of opening doors for enlarging her domain or circle of influence (cf. Covey, 1989). In interpersonal interactions she uses charismatic leadership mainly by means of fascinating speech to influence and to make an unforgettable impression. As an outcome of interactions, the proactive, intentional "labelling" is consolidated as her key weapon in the service business.

Heli's energy seems enormous and her creativity is manifested in her widely recognized vision. Most of her visions are externally oriented and only indirectly related to her business. As the business link, this intrinsic entrepreneur has invested a great deal of her time to start up several regional projects together with local, regional and state authorities. When enthusiastically preaching her visions among her stakeholders, she moves the audience emotionally and "creates understanding" by means of illustrative examples and metaphors (cf. Westley & Mintzberg, 1989). It is difficult to evaluate if her motives are as ethical as she likes to put them or not. However, it is obvious that in addition to the public good, she skillfully continues making the most of these partnership projects. The support obtained from the local media is astonishing. The articles praise her visions, her personal courage and the significance of the ideas for the community. And, as a byproduct, the articles both draw more and more customers to her firms, and especially help in communicating her eloquent but cleverly formulated self expectations to a wide audience.

Customers are by far the most important external stakeholders for the CEO according to both the time invested and her personal ranking. The underlying logic is that customers include all other relevant stakeholders as well. The basis for good relationships either with her bank managers, mayors, press people or local municipals dates back to their history as Heli's customers. The sensitive maintaining of these interactions happens very easily. Even though the travel agency has many competitors in the town, the restaurants of her hotel represent the top gourmet alternative in the region and offer the number one stage for her to engage into her all-consuming business seeker role. Besides informal interaction, the CEO with skillful leadership nurtures her network by presenting them her newest visions and asking for their opinions and acceptance. By this active involvement she gets them committed to her ideas and has her self-expectations reinforced, too.

Heli's network of stakeholders has some eccentric features, as well. With regard to the single individuals, the most important of them is her clairvoyant, Kaija. Kaija's superior position among the external role senders reflects best the mutuality in the modification of Heli's expectations. When the CEO "feels powerless, confused or exhausted" she contacts Kaija who communicates her high expectations combined with "enormous amounts of energy". And accordingly, as Eden (1993, 164) referring to the Galatea effect proposes "credible high expectations communicated by an authority figure, whether experimenter, instructor, manager, psychologist, or consultant, lead individuals to expect more of themselves and to perform better". While repeatedly worrying about Kaija's potential death, the CEO reveals her extraordinary influence on both her self concept and self-efficacy, and correspondingly, on her entire behaviour.

Occasionally Heli's external managerial behaviour, with the emphasis of choices continuously expanding her domain, appears to result in a sort of paradox. Especially the competitors, with conflicting self interests, obviously envious of the public good will and angry with her provocative, imaginative marketing campaigns, seem to be prone to use some sanctions if she still neglects their sent role. Heli has recognized the early warnings of new potential constraints, but instead of compliance she has proactively - and faithfully to her character - created new alliances with other influential stakeholders. However, occasionally being in the focus of this contradictory and complex web of expectations, her fear of failure arouses anxiety, which momentarily culminates in her inability to comply with the primarily self created expectations held by her network of stakeholders.

> **"This has been such a nice game for me, a game that has given me a lot...I was born in this town and the citizens have known me ever since when I at the age of three was sitting on the roof of a shed and yelled: I am going to be a manager. I have told these stories of mine and now I have to be - and it is not actually have to be for me -but I want to mirror the image they have created of me. And my most important mission is to be Heli, to be for the people, what they expect me to be..."**

As a whole we propose that Heli's personality has a crucial impact on her external managerial behaviour and the corresponding labeling. Her creativeness and narcissism

have built the ground for this cyclical self-fulfilling prophecy (see e.g. Eden, 1993). The CEO's charismatic leadership most evidently shapes the expectations of the majority of her external stakeholders according to her preferences. Heli's managerial behaviour is both driven and energized with her constant desire for new challenges in order to get stimulation, excitement and to fulfill her needs for achievement and social respect. The organizational reality constructed by the founder and her relationship with her stakeholders enable her to continue enacting her environment for the moment. However, if the positive labelling were damaged in any way, the CEO would have to alter her managerial behaviour.

Tapani - the novice expanding social capital

> **"I should know plenty of new people now...Jorma has had that kind of a checking list. He has kept asking me how well I do know this and this person, what do I know about his/her potential chances to influence and potential impact of his/her actions (for our business). . . "**

Tapani is the CEO in a medium-sized manufacturing company producing food stuffs and employing about 250 persons. The turnover of the company varies around 250 million FIMs, half of which comes from exports. Tapani is one of the three owners who bought the firm seven years ago. Originally the company belonged to one of the four Finnish retailing groups and the production was mainly sold to the owning group. Before starting as the CEO at the age of 48 (in May 1993), Tapani worked there as a marketing manager. After the management-buy-out financed by heavy loans, there have been a lot of rearrangements and after his first year as the CEO, the firm showed the best profit during its long history. However, due to the recession, the problems partially created by a remarkable seasonal fluctuation in demand appear to reflect seriously on the liquidity of the company. At the same time, the first implications of Finland's decision to apply for membership in the European Union do not make the situation easier for the industry either.

Tapani has remarkable experience in sales and marketing. After quitting intermediate school, he headed for business by choosing a commercial school instead. Since then he has been working for both Finnish and international firms operating in consumer markets, the oldest of which is his well-established relationship with the Finnish retailing chains and their representatives which date back to thirty years ago. Basically, the whole risky management-buy-out was partially possible just because of the CEO's strong personal relationships with all other retailing groups.

The CEO's new position presents, however, plenty of novel demands and constraints and a general claim for a broader perspective - for a totally new managerial frame. The most inconvenient constraints originate in the firm's strong resource dependence on its banks. Some of the current demands are also clearly internal and related to the CEO's position. During the two-week diary data collection ,Tapani was still trying to immerse himself into the internal, mainly operational processes and issues of the massive company thus practising for external trouble shooting. This was indicated on his nearly 50/50 time distribution for external/internal interactions. One third of the total working time of about 100 hours passed in time consuming interpersonal encounters: formal negotiations and informal "getting to know each other" social happenings. Almost all of these heavily representational interactions had been planned well in advance and most of them had been initiated by the CEO himself.

Anyway, the emphasis in this CEO's work is focused on expanding the external relationships. The most important aim is "to get inside into the noncommercial stakeholders". This classification of his includes in addition to the banks and other financiers, insurance companies, the local community and many organizations. The

interaction with political decision makers and influencers both at communal and state level particularly seem to be rather frequent. Their potential stake most obviously deals with the support needed in case of more acute financial problems to be faced by the firm. As a significant employer in the region, Tapani's company could take advantage of the existing good relationships with the union representatives, too. The expectations of this powerful network with common interests certainly culminate in the survival of the firm, and as for Tapani, in his active behaviour in contributing to this goal.

The CEO's predecessor, Jorma, the present chairman of the board, has been of great help for him in order to build and to maintain a wider network of stakeholders. Also Jussi, Tapani's elder brother and a recently retired area manager of another retailing chain, has been actively introducing him into new local “old boys'” networks. Together with Tapani's father, these gentlemen with decades of managerial experience have while mediating their knowledge bases also strongly influenced the novice's managerial behaviour by introducing their rather dominating expectations[5]. This could be one possible explanation for the obvious uncertainty or even inferiority reflected in Tapani's modest personality. Characteristically, he is ready to admit this and even refers to previous psychological tests indicative of his need for a strong, balancing person with whom to work.

At the moment the expectations of the external role senders for the CEO seem to be both mediated and interpreted by his forceful referee, who most often takes part in important external interactions, too. Confusingly, at least part of the expectations held for the CEO are still actually directed to the former CEO, Jorma. During the data collection even the local press published a couple of articles about the company citing Jorma's comment mistakenly as that of the CEO, but quite correctly as that of the real spokesman of the company. Tapani seems to perceive his mentor's influence both as a constraint and a facilitator. The synergy created by the dual management and shared leadership is obvious, but nevertheless, Tapani would appreciate a wider personal domain. The relationship between the CEO and Jorma is strong and the frequency of the interactions are very high, but fortunately the interests of both co-owners converge. As a whole Jorma can be perceived as Tapani's mental authority and implicit role model (cf. e.g. Eden, 1993; Bandura, 1986).

Tapani's general strategy for stakeholder management continues the tradition of the company. "Everything is based on creating confidence" by maintaining good relationships, informing all stakeholders sufficiently and being trustworthy. Fortunately, a sort of personal honesty and openness is also characteristic of Tapani and even in his current position, he wants to behave accordingly. The ranking of customers and financiers or vice versa as the primary stakeholders seems to be realistic in light of the survival of the firm. Even though the CEO describes his relationships with competitors as "exceptionally good", he wants to his keep distance and prefers avoiding all types of cooperation. In this way he probably communicates his unwillingness for considering their expectations.

Tapani still invests his personal effort primarily to his customers. The reasons are at least twofold. First, the firm's customers are primarily big wholesalers and retailing

chains accustomed to insisting and getting a heavy personal contribution together with excellent service from their suppliers. And, because of the high competition in domestic markets, the CEO does not risk losing the nurturing of these personalized relationships and complying with the old established expectations. Second, it is obvious that his sociable behaviour flavoured with plenty of humour still reminds mostly that of a sales/marketing person. He denies feeling "most comfortable" with his own customers. A simple but logical explanation seems to be that the expectations sent by customers reflect his own prevailing preferences - his self-expectations, and thus while operating in this arena, he can count on his own competence.

The external managerial behaviour of this CEO puts the emphasis on the significance of character, as well. Because of his personality, Tapani has been accustomed to accepting and adopting the expectations of forceful persons around him. The outcome of this social learning process has certainly been helpful for Tapani to some extent, but on the other hand, it has discouraged him from behaving according to his own expectations. The resulting stance implies an evident danger of getting into a vicious circle of expectations created by others. During Tapani's transition period in which he should unlearn the past behaviour and move into the next higher level, his retiring mentor's support seems essential. Yet, the prevailing conditions appear to present too many demands and constraints both as regards the strategic posture of the company as well as the personal domain of the CEO. As a sort of secondary spokesman and figurehead, the CEO feels at ease and able to make some choices of his own, but even in these roles, he would need leadership skills, those skills which are most difficult to transfer even by his insightful mentor. At the moment networking with an emphasis on bargaining reflects the most dominating differentiated external role of the novice.

> **"I won't reveal the issue, but one day I was discussing with Martti, our marketing manager...So I told him that I have a friend, who owes me a favour. It was a business issue and I phoned to this fellow...And we fixed it. Afterwards, we started joking and I said that now it's I who own something."**

Kalevi - the politicking negotiator

> **"These confidential posts have been rewarding also because the memberships have enabled easy interaction with the top level executives of the competitors. It has an essential influence."**

Kalevi, 58, is the CEO of a big regional retailing business corporation. He received his master's degree in accounting and has many years of experience within the retailing group including almost all different managerial jobs and levels. When he came to his present job 13 years ago, he started reorganizing the whole business. At the same time a series of regional fusions took place in the group. Kalevi managed this change far better than most of his colleagues in other areas. His cooperative retailing business with its turnover exceeding one billion belongs to one of the three leading retailing groups in Finland. The CEO's effectiveness is evident both inside the group and compared with the competitors in the region. As a result of his success, he has obtained an exceptionally wide personal domain in his job, which is most evidently reflected in its external focus.

It is difficult to describe the CEO's personality. The interpersonal encounters and discussions mediate a dominating, carefully adopted impression of "professionalism": his polite behaviour is strictly matter-of-fact, the distance remains appropriate and his comments are carefully considered. As a whole, Kalevi obviously wants to keep himself in the background. This choice is quite analogous to the influence strategy of this experienced negotiator: arguments, evidence and facts will speak for themselves (see e.g. Kipnis et al., 1980; 1984). The vigour of this strategy seems to intensify when we focus on Kalevi's external network of stakeholders consisting of the top level executives of competitors and communal authorities or decision makers responsible especially for town planning.

Kalevi could be considered a master politician of the social relationships. The CEO's external leadership skills have been tested and refined in numerous instances and due to this learning-by-doing process, he favours a kind of contingency approach in leadership. He is actively and proactively trying to influence the opinions of the influential people both in his town and the surrounding area. And respectively, in this enactment process, the CEO is concentrating most of his energy on the representatives of the local community and government. Having a good command of the relevant network of stakeholders and wide access to critical information is made easier by his active participation and high positions in many kinds of voluntary business organizations (e.g. the Chamber of Commerce), different formal and informal clubs (e.g. the Rotaries) and many important posts in the national/state level (e.g. the employers' organizations). Time is truly money for this busy executive and he knows how to make most of it:

> **"Well, it is always the case that in order to cope with your schedule you must - when considering these stakeholders - seek those central influencers, the keypersons, because it is by those contacts it works."**

His approach to external work is carefully structured, reflected and adapted to the present life cycle of the firm. A sort of contradiction with the commonly described characteristics of managerial work is evident in other ways (e.g. the source of initiation and the duration of interactions). He points out that the manifestation of external managerial behaviour is always a result of the personal emphases - self-expectations - of the CEO. The strong strategic orientation and the evidence of institutional management are reflected in many modes of his behaviour. These aspects demand a close contact with the top management of the whole retailing group in Helsinki. And so, the CEO visits the headquarters once or twice every week excluding summer time. The visits are obligatory also due to some of his confidential posts.

Although the CEO looks after the stakeholder management of the firm as a whole, he has "abandoned" certain stakeholder contacts and "left them to the specialists". One of these delegated stakeholders is the customer. In this consumer cooperative business, many of the customers represent the owners. The representatives of the owners - both on the board and the advisory board of the company - have, however, a high priority in Kalevi's stakeholder ranking. This arrangement enables realistic possibilities for complying with their expectations, or rather "balancing" them. The CEO generally aims at "balanced situations in which all the relevant perspectives have been taken into consideration". According to this logic, he at least perceives his behaviour being formulated in the same way. The setting implies that Kalevi's self-expectations are carefully explained, mutually processed, adapted and at some point partially accepted by his role senders, too.

The focused consideration of external stakeholders is evident in many other ways. For some of them (e.g. financiers and suppliers), the CEO has simply limited the amount of personal effort. He thinks that being personally present at the ceremonial annual briefings, negotiations and social happenings is quite sufficient at the moment. However, if things got complicated and any conflicts arose, he would turn to face-to-face encounters, in which the partners have to represent the top decision makers. His strategy of selective personal interaction and learned shared expectations is obviously valuable during these demanding interactions.

Kalevi's external managerial behaviour can be analysed on two "levels". The more overt and more general of them is the open, factual and discursive approach of the CEO best highlighted in and by the media. Actually, he perceives the whole 'cooperation" with the media as an essential part of his behaviour. The publicity offers him excellent chances to express his opinions and indirectly influence the public in the name of"fair and balancing" information. His widely recognized expertise and a sort of distant charisma have proved to be useful in assisting him for these purposes as well.

On the other hand, for more specific purposes, Kalevi relies heavily on using personal networks. One of his main arguments for this partially covert networking emphasizes the idea of giving up single firm perspectives and thus instead crossing the boundaries in the name of municipal/regional/national good. And, seen from the

perspective of the retailing industry, the interdependency and interrelatedness of the whole system creates evidently a lot of constraints which could be reduced by cooperation. However, the CEO is also an indirect proponent for the "old boys'" networks while admitting certain side effects, too. The concluding argument illustrates both his attitude toward some competitors and a typical message mediated by his skillful political leadership.

> **"It is very important in such small country as Finland is that people know each other. Especially if we think about it from the perspective of the society or beyond the Usual conflicts or interests. To put it another way: none of us should be compartmented. If we choose to do so, our chances to compete in this internationalizing world will be much worse. "**

Marja - the teacher in high technology

> **"Well, speaking about the dilemma of why somebody is successful...I have a couple of credos. One of them is that everything is based on hard work, after all. To succeed in one area is different from succeeding in another, but I do believe in working hard. And on the other hand, personally I am...well...in a way a person with a strong will, which implies that I form a comprehension about that. I have a sort of view or vision about how the things should proceed and what should be done."**

The fourth case manager is Marja, the CEO in a Finnish high technology business. Her firm with its billion class of turnover is by far the largest in this study and operates mostly abroad. The firm is a part of one of the largest groups in the country and the unit of this female legend in her early forties has been growing extremely fast. Marja has been in her present position since the firm was established about ten years ago. Previously, she had utilized both of her dominant characteristics: first, the analytical side while working as a researcher and then as the practitioner while working both abroad and in Finland for the current group and other firms as well.

The global environment of Marja's unit is turbulent and the competition among the ten main competitors is "crushingly hard". In spite of her 3000 employees, the CEO stimulated by intellectual challenges is still actively dealing with the operational questions and, for example, taking part in business negotiations all over the world. Actually, she thinks that one of her most important responsibilities is to try to create creditability between her foreign customers and their stockholders whether in the United States or in China. The domestic external stakeholders she prefers to leave to the top management of the business group. However, after being appointed a member of the Board of Directors during the period of data collection, her attitude has perhaps been changed[6].

Marja could be regarded as a workaholic. The dominating position of her work does not reflect her own choice but rather the demands of the ever-growing markets. However, one of her mottos centering around the idea "life is for learning" balances the situation mentally. Her working days, frequently including Sundays, are extremely long - often 16 hours - and she tries to minimize all the wasted time by for example traveling during the nights. Marja spends yearly about 100 days abroad and a couple of weeks visiting the subunits in Finland. The amount of externally oriented work usually exceeds 60% and much of the external interpersonal interaction is initiated by herself. This is also evident in her rather obsessive habit of keeping in constant contact - at least by phone - with her stakeholders: whatever the time and during any occasion she seems to continue the building of relevant relationships in all time zones.

In one respect Marja differs significantly from the other CEOs of this study: she wants to keep her person totally out of the limelights. Instead of any kind of public labelling and cover stories, she desires and is able to concentrate on business. This decision is rather contradictory with the policy of - and accordingly the expectations of- the company and Marja does admit that publicity would help the business. The approval from the top management of the group indicates the amount of personal choices available

for this CEO. Marja's relationship with those above is "generally good and nothing she has suggested has been denied" according to her. Most of her external work with the top management deals with the strategic planning of the company and the differing forms and options for cooperation between the Units of the group.

Abroad the CEO has an active general attitude to all external stakeholders. Before the meetings she holds her "drill" prepping, briefing, checking and further coaching her "colleagues". During the encounters with the stakeholders, she tries at first to convince them of the competence of her firm and then starts inspiring confidence. Anyway, most of Marja's external behaviour is directed toward and dedicated to customers. Her relationships with them are especially strong and close in nature and this all strengthens the personalizing and identifying of the company with her. Their totally different cultural backgrounds require an enormous adjustment for the female CEO and the amount of their total investments demand attention for their continuing partnership. Her active involvement in customers' projects, for example by participating in their planning, has made it easier for her to use her leadership skills as a coach or actually as a teacher (see Bryman, 1992, 117)[7].

> **"Yes, they are indeed our partners-in-profit. The nature of this business explains partly the personal, I could say very personal relationships which ~ build with these people..."**

The most critical expectations come from those customers with whom the partnership relationship has been well established. They expect her to personally comply with their needs as a trouble shooter wherever and whenever there is a problem to be solved even though there would be plenty of better technical experts available. Under these circumstances the CEO alters all her plans and schedules and heads for her partners.

Influencing people seems very easy for Marja. She is very open, charismatic and has an evident ability to make anybody feel comfortable. Actually, she thinks that her gender has been useful in approaching strange people. One lesson of her own "getting wiser -process" is that she does not have to play according to the very formal, stiff rules men are using, but instead relieved from the fixed expectations "you can just go, smile and take them and thus get the atmosphere relaxed". Of course, her success and "legendary fame" have also prepared the way for her in the industry and the positive expectations generally held facilitate all kind of interaction. And, in a male dominated business environment, women are certainly more easily remembered, too. The main difference in the CEO's behaviour between her own people and the external ones is "a slight addition of formality and a decrease of yelling". However, her enthusiastic and intelligent personality together with her expertise are the main instruments while educating her network.

The CEO deals a lot with the main competitors and they present great challenges, both with demands and constraints, for her. Marja's experiences from previous strategic alliances have made her rather skeptical about intensive cooperation and she considers the fundamental problems of alliances to be analogous to marriages. This implies also that the keys to happiness are to be found in the mutually accepted and shared fair and equal

expectations guiding the relationship of the partners. However, when time goes by these expectations are apt to change and the problems arising threaten one's strategic choices, one's independence.

Marja's networks consisting of customers, competitors and authorities are self-evidently international. She makes a clear distinction between directly work related networks and the more personal ones. The main goal for both is to be properly connected: instead of collecting information, she strives for knowledge, which enables her to build her own understanding and to make her own choices. The early warnings and a constant attention to the local markets are conveyed well in advance to be useful strategically. Realistically, "the substance of the interactions comes long before the form" and the leading principles for interaction and influence originate in Marja's personal value commitments. Values and strong conviction guide her way while encountering contradictory expectations. Marja accepts herself as user of power, but "will never lobby for things behind which she can not stand with conviction". That is also the reason why the CEO refuses using cabinets and informal networks.

The main role of the CEO culminates in a learning teacher capable of accurate situational analyses and practical applications suitable to needs of her external partners. In her external managerial behaviour, she is mainly self directed and chooses her own methods faithful to her personality. Marja's self expectations culminate in enabling and furthering others to understand by offering them her own expertise, explaining and creating trust and enthusiastically influencing them. The methods of her behaviour alternate in emphasis depending on the partner and the situation. However, every now and then, the expectations of her customers surpass all others and crystallize in the role of an industrious trouble shooter. Among her competitors, she primarily behaves as a seeker of information and with those above her as a creative and courageous catalyst. As a whole, Marja's personal domain is exceptionally extensive and the resources of the group help her as much as possible to widen the strategic domain, too.

DISCUSSION

Managerial behaviour can not be studied in isolation **- neither from the rest of the person nor from the environment in which the focal manager works. In this paper, we have tried to approach our phenomenon -external managerial behaviour of the CEOs - with a stance toward pointing out the significance of both the social context of the manager and the incumbent him/herself. In addition to describing and interpreting the external managerial behaviour of the case managers, we have also tried to build understanding about how their behaviour is formulated. The assisting perspectives, leadership, stakeholder thinking and social psychological role theory, have proved to provide consistent means for studying the phenomenon in question at the top level of the companies.**

The contribution of the assisting perspectives intertwines with expectations. The expectations sent by the external network of stakeholders and the self-expectations of the CEO seem with varying emphasis to formulate the external managerial behaviour of the subject. The focal CEO's managerial behaviour, existing expectations and the relationship between these two are modified, shaped and refined during a cyclical, interactional process. By the ambiguous role concept, we have referred to the present outcome of the process - to the shared expectations held for the focal CEO and also tried to illustrate what his/her external managerial behaviour is. Both the holistic, integrated role and the differentiated roles of the CEOs emerging from the data aim to capture the essence of the behaviour instead of trying to explicate roles as absolute descriptions of individual acts or actions.

The stories of the business seeker, the networking novice, the politicking negotiator and the teacher are both fascinating and challenging in their diversity. These holistic roles highlight strongly the significance of the CEO's personality including such important inner forces as aspirations, needs, fears, defenses and self-images. With regard to the female CEOs, there seems to exist a partial lack of fixed expectations. Marja and Heli have utilized this extra chance for choices and filled the void by skillfully enacting their self-expectations reflecting their idiosyncratic characters. Although there are some differences in the differentiated roles of the CEOs, too, each of them is expected to take care of the spokesperson and trouble shooter roles. The coexistence of these roles suggests that they basically reflect expectations set for all incumbents to a CEO's position (cf. Mintzberg, 1973).

The possibilities and the resultant vigour of self-expectations in formulating the CEO's managerial behaviour seem to be remarkable. In three of the four cases, the external managerial behaviour is mainly adapted by one's self-expectations and the enactment of expectations is enabled and facilitated by leadership. The basis for this interpersonal influence is to be found in the CEO's perceived expertise, charisma and/or creditability. The variety of interests puts also emphasis on the political aspects of leadership including negotiation skills. The successful compliance with expectations

whether one's own or sent by the network - seems to create preconditions for a process leading into a self-fulfilling prophecy (cf. Eden, 1993).

The case managers modify their external contexts by leadership and the context modifies their behaviour by demands and constraints. The importance of organizational context including the macro level interdependencies and organizational variables (e.g. structure, size, division of work, resources) remains ambivalent. The general impact is reflected in how the CEO perceives his/her strategic domain. Marja highlights the point, Kalevi feels to be in control at the moment, Tapani evades the basic question and for Heli these demands and constraints seem to be indifferent. Some of the effects are mediated into the personal domains of all CEOs, even though they might at least partially neglect those expectations. The status of the CEO - whether an entrepreneur or an employed professional one - does not necessarily determine the width of the personal domain. On the contrary, the cases indicate that the personal domain can, at least to a certain extent, be deserved and taken: in addition to expertise and reputational effectiveness with skillful enactment of expectations.

The contribution of personal relationships as formulating external managerial behaviour appears to be remarkable as anticipated (cf. Sayles, 1964; Kotter, 1982). Every CEO has a multilevel network of external stakeholders tied together with different bonds (cf. Granovetter, 1992). The close social and emotional ties of the CEOs' core network imply about both evident interpersonal attraction and the high frequency of interactions, which both further the enactment of expectations (see Fondas & Stewart, 1994). With regard to more formal work related networks, the importance of economical ties increases and the CEOs must obviously comply with some expectations of their critical role senders. The networks of Kalevi and Marja are focused, especially compared with those of the owner managers consisting of various relationships established during long work histories.

It seems that there are a number of alternative theoretical perspectives which may provide important insights into the formulation of the CEO's external managerial behaviour. However, this theoretical framework has proved to offer relevant means for an inductively and qualitatively oriented approach. The methodology used has enabled a holistic view of the phenomenon, unfortunately at the inevitable cost of generalization. If expectations are accepted as a crucial element affecting managerial behaviour and the dilemma of the relationship between environmental determinism and the manager's own impact on his/her external behaviour is considered worth further research, the methodological choices present evident challenges. The potential of observational studies to detect these cognitive social processes seems to be questionable (cf. Martinko & Gardner, 1990). With regard to surveys, the basic problem remains the same, but with skillfully designed questionnaires, we could perhaps both verify or falsify the framework and move forward by refining it.

CONCLUSIONS AND IMPLICATIONS

This study seems to provide some evident implications both for researchers in this field and for the actors studied - the managers. The contribution of this paper deals first with *the integration of theoretical concepts,* which has accordingly enabled us to inductively focus on a new, alternative perspective - the external behaviour of the CEOs. The empirical findings cannot be generalized. Rather on the contrary, the cases emphasize the idiosyncratic nature of the external managerial behaviour, as has been originally assumed (cf. e.g. Miner, 1987). However, the conceptual framework and the external focus of the study have turned out to be relevant: *the significance of the external network of stakeholders as role senders as well as their expectations seems to surpass those of the CEO's subordinates*. Especially the primary importance of customers' expectations is worth noticing.

The empirical findings can be reduced to a proposition lending support to role theory: *the external managerial behaviour of the CEOs is circular* (cf. Katz & Kahn, 1978). They also support partially the model of expectation enactment presented by Fondas and Stewart (1994), in spite of the external focus. Most CEOs' roles reflect considerably their self-expectations. Many variables dealing with either the characteristics of the CEO or the relationship between him/her and the role senders have facilitated the enactment of these shared expectations in this study. The analysis investigated the positive influence of the perceived effectiveness of managerial behaviour, the frequency of interactions, the personality and the sex of the CEO, and leadership. With support of these variables together with either factual or perceived compliance with enacted expectations, a positive circle of expectations - a sort of halo - starts emerging. This potential self-fulfilling prophecy calls for confidence in the CEO's ability to comply with expectations, which may be created by leadership and facilitated by influential referees, networks and the media. Surpassing the level of expectations and constantly fulfilling critical expectations will strengthen the positive judgements.

Respectively, the vicious circle of external managerial behaviour can originate in many variables outside the control of the incumbent. A heavy resource interdependence of the company obviously makes the enactment of expectations difficult. The situation is complicated if the expectations sent are contradictory, the macro level interdependence(s) is strong and the personal variables of the focal CEO are unfavourable. One alternative choice is to try to make changes in the stakeholder coalition by means of new combinations (see Rhenman & Stymne, 1965). This implies a strategy of finding new groups more receptive to one's self-expectations (cf. Tsui, 1984; Fondas & Stewart, 1994). The clever adjusting of self-expectations to the interests of the powerful stakeholders could perhaps help in breaking out of the vicious circle.

***Leadership is embedded in the core of external managerial behaviour*. The impact of leadership on enacting expectations is essential. In the light of the empirical cases, the categorical differentiation of "external leadership" is neither relevant nor necessary. In addition to expertise, the leader's personality and political skills are highlighted. The female CEOs emphasize their charisma, intuition and visionary leadership furthering the interests of the stakeholders. On the other hand, the male CEOs are more apt to take**

advantage of the informal networks mobilizing influence (cf. Kotter, 1982). As a whole, the proactiveness of behaviour indicates also intelligent social action: the CEOs' self-expectations mirror skillful tactical and strategic anticipative reflection.

To summarize, *expectations formulate our behaviours*. The concept of expectation is meaningful both theoretically and practically. This paper proposes that shared expectations as manifested in CEOs' roles can contribute in furthering understanding about managerial behaviour. If the relevant role senders and the CEO share the expectations for the latter's behaviour to a sufficient extent, they will start treating the focal manager in uniform fashion, too, thus reinforcing his/her role (see Biddle, 1979, 123). This theoretical simplification seems to offer significant chances for the CEOs. By skillful enactment of expectations, they may be able to take the lead among their external role senders, too.

ENDNOTES

1. **The preliminary research setting of the original study was outlined and the data collection started in October, 1993. Thus we could not properly try to utilize the sophisticated suggestions presented by Fondas and Stewart in 1994.**

2. **The cases reflect the situation during the period of data collection, which was completed by January, 1995. Thus at the moment there have been some changes concerning both the CEOs and their firms. In this paper we try to briefly refer to the most important ones.**

3. **Actually, one year after the data collection was completed, the company was bought by a large Scandinavian competitor. Tapani's formal position as the CEO has so far remained the same.**

4. **According to Hosking and Morley (1991, 228) knowledge base refers to"knowledge of how to structure issues to protect and promote interests. Process knowledge includes knowledge of who - to whom to go - to build understandings - and through whom to mobilize influence".**

5. **A couple of months ago, Marja was promoted again and transferred to a new job.**

6. **Bryman's (1992) suggestion about leader's potential "need to become a teacher, constantly creating new learning experiences for members of the organization to give them a sense of new ideas and of what they can achieve" can be easily adapted to Marja and her behaviour with her customers.**

7. **As Hodgkinson (1983) suggests it is typical of these leaders, "poets" that they keep negotiating for the principles they can not compromise. These principles or values are exceptionally strong, because they are strengthened by the strongest human motivator, one's will.**

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Table 1: A Summary of the External Managerial Behavior of the case CEOs

		TAPANI	KALEVI	MARJA
Organizational Variables	**customers potential partners**	**dominance of the chairman of the board**	**prominent personal domain, support from the retailing group**	**prominent personal domain, support from the group**
Main Partners of the Interactions	**wide multilevel**	**customers networks**	**group board local authorities**	**customers group partners**
Structure of the Network of Stakeholders	**business seeker**	**narrow getting wider**	**focused highest level key persons**	**focused mainly top level**
Holistic Role	**entrepreneur general preacher business link**	**novice**	**negotiator**	**teacher**
Differentiated Roles	**figurehead customers**	**networker salesman trouble shooter figurehead**	**networker spokesman balancer**	**coach information seeker trouble shooter catalyst**
Most Important Role Sender	**competitors**	**co-owner**	**retailing group**	**customers**
Not Relevant Role Sender	**charismatic leadership**	**competitors**	**customers**	**media**
Leadership	**self expectations narcissism clairvoyant**	**shared leadership**	**political leadership distant charisma**	**charismatic leadership**
Dominating Variables	**dramatic appeals to stakeholders' feelings**	**expectations of others Jorma as a role model**	**self expectations ambitions group**	**self expectations will power customers**
Style of Interactions	**operational strategic**	**sociably humorous**	**tactful matter of fact**	**uncomplicated matter of fact**
Focus Level of Management HELI autocracy		**operational**	**strategic institutional**	**operational strategic**