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ACADEMY OF MANAGERIAL COMMUNICATIONS JOURNAL

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LETTER FROM THE EDITORS

Welcome to the second issue of the *Academy of Managerial Communications Journal.* The Academy of Managerial Communication is an affiliate of the Allied Academies, Inc., a non profit association of scholars whose purpose is to encourage and support the advancement and exchange of knowledge, understanding and teaching throughout the world. The *AMCJ* is a principal vehicle for achieving the objectives of the organization. The editorial mission of this journal is to publish empirical and theoretical manuscripts which advance the discipline, and applied, educational and pedagogic papers of practical value to practitioners and educators. We look forward to a long and successful career in publishing articles which will be of value to the many communications scholars around the world.

The articles contained in this volume have been double blind refereed. The acceptance rate for manuscripts in this issue, 25%, conforms to our editorial policies.

As editors, we intend to foster a supportive, mentoring effort on the part of the referees which will result in encouraging and supporting writers. We welcome different viewpoints because in differences we find learning; in differences we develop understanding; in differences we gain knowledge and in differences we develop the discipline into a more comprehensive, less esoteric, and dynamic metier.

The Editorial Policy, background and history of the organization, and calls for conferences are published on our web site. In addition, we keep the web site updated with the latest activities of the organization. Please visit our site and know that we welcome hearing from you at any time.

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ARTICLES

BRIDGING THE GENDER GAP IN BUSINESS COMMUNICATIONS

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ABSTRACT

In order to aid prospective managers in communicating with the opposite gender, a study was completed to determine the perceptions students have of gender communication traits. Thirty-three traits, identified by previous research, were presented to 340 students enrolled in an upper division course in the College of Business during the spring of 1997. Males and females were asked to rate each communication trait as a stronger male trait, a male trait, no difference (between genders), a female trait, or a stronger female trait. Statistical analysis was applied to determine on which communication traits the perceptions of each gender differed to a significant degree. This paper concludes with teaching strategies for bridging the gender gap in communication.

INTRODUCTION

Few changes have affected the business world as much as the increased number of women entering the job market (Epting, Glover, & Boyd, 1994). In particular, the relatively rapid transition away from a predominantly male workforce to one of more equal gender representation has left many organizations unprepared for dealing with communication barriers that arise between the two sexes (Tingley, 1993). To a great extent, these barriers are due to the fact that business communications have not sufficiently evolved to accommodate the increased role that women have in the workplace (Tannen, 1994a).

The failure to understand gender-specific communication styles has contributed to a number of problems for the business community. First, tension between genders frequently occurs as the result of mutually unsatisfactory interpersonal interactions (Filipczak, 1994). Moreover, increased levels of cross-gender tension negatively impact the working environment, which in turn reduces job satisfaction for men and women alike (Rifkind, 1992). Second, because the business world has traditionally been a male-dominated work environment, women-oriented communication styles often create gender inequities with regard to promotion decisions, raises, and job opportunities (Brownell, 1993; Dell, 1992).

Educators can play a major role in helping to prepare prospective managers for inter-gender business communications. Unfortunately, little research exists that has focused on understanding and closing the gender communication gap in the business community (Limback & Bland, 1996; Smith, 1992). The vast majority of gender-related research has been studied in the psychology and social psychology disciplines. Moreover, many educators are themselves unaware of gender-specific communications and, in fact, may unintentionally utilize teaching practices that perpetuate gender biases (Darling & Sorg, 1993; Failing in Fairness [video], 1994). This study was designed to increase understanding of communication differences as they relate to prospective male and female business managers of the 21st century. Special attention is given to identifying male-oriented, female-oriented, and gender-neutral communication traits. An increased awareness of gender-specific communication styles is critical for closing the gender gap and for developing better interpersonal relationships in the workplace. Furthermore, to work together, men and women owe it to each other to have a clear understanding of their communication values and objectives - including what they have in common and how they differ (Whitaker, 1992).

To accomplish this objective, the following approach will be taken. First, research that has explored relevant gender issues will be reviewed. Included in this review will be a discussion of pertinent gender-specific communication dimensions. Second, results from a study designed to measure communication traits along a gender continuum will be presented. Lastly, strategies that educators could take to make prospective managers more sensitive to gender communication differences and for adapting to these differences will be provided.

OVERVIEW OF GENDER COMMUNICATION

From about age three, boys and girls start interacting more frequently in gender-separate groups. These groups take on unique norms and characteristics: girl groups form more intimate friendships, show greater cooperation, and strive harder to maintain social relationships; while boy groups play rougher, become increasingly more competitive, and show greater demonstrations of dominance (Maccoby, 1990). As they mature through their adolescence years to adulthood, males and females continue to exhibit these gender differences (Cross & Madson, 1997).

In terms of management styles, Phillips (1995) contends that men can be compared to warriors who look at work as a competitive battlefield with certain winners and losers. They become conditioned in sports to win--more often for themselves than for their team. As a consequence, men are more likely to tell of their achievements to obtain social status, are more comfortable at calling attention to themselves so that others know of their skills and knowledge, and prefer taking credit for hard work with good results (Tannen, 1990). These behaviors contribute to the fact that men are more comfortable speaking in public situations (Roiphe, 1994).

In contrast, Phillips (1995) compared women to villagers who look at business as though it were a friendly town square. This more social perspective promotes a non-confrontational approach to communications, stresses nurtured relationships, and leads to greater sensitivity of the feelings of others (Fivush, 1992; Tannen, 1994c). Partly as a function of their less competitive and more supportive nature, women tend to have more difficulty gaining credibility in male-dominated work environments (Brownell, 1993). Further contributing to the credibility gap are power inequities between the genders, with men typically holding the upper hand (Filipczak, 1994; Schonfeld, 1994). One consequence of this credibility problem is that women frequently have to phrase suggestions or ideas so that they will be accepted and/or not damage the ego of their superiors (Manss, 1994).

FRAMEWORK FOR ASSESSING GENDER-SPECIFIC COMMUNICATION DIFFERENCES

The preceding discussion provided a brief overview of gender-specific communication traits. Although gender communication research is limited in the business education literature, a wealth of research within psychology and social psychology exists that can be used to develop our business communications framework. Specifically, four common gender-related communication dimensions emerged from this review: (1) control/dominance traits, (2) listening/feedback traits, (3) emotional traits, and (4) fairness traits.

CONTROL/DOMINANCE TRAITS

A common theme that has surfaced in the research is that men utilize power-oriented interactive strategies (Watts, 1992). Consistent with this perspective, men view communications as a way of showing their independence, maintaining their status, and negotiating desired outcomes (Tannen, 1994a). These traits increase their desire to assert control of and dominate group situations (Roiphe, 1994) and lead to more aggressive interpersonal behaviors (Eagly & Steffen, 1986). In addition, because men are more comfortable in public situations and are often fighting for the floor at a function like a business meeting, it follows that the attempts they make to get their own ideas heard result in a greater likelihood of interrupting others (Doheny, 1992), often in a boastful manner (Glaser, 1995). In contrast, the more relational nature of how women interact with others makes it more difficult for them to deliver criticism (Tannen, 1994b). Because efforts are maintained to preserve relationships, women are also less likely to insult others (Frank & Frank, 1983).

LISTENING/FEEDBACK TRAITS

Considerable research evidence supports that women are more nurturing than men, are more tender-minded, provide greater social support, and are more often viewed as responsible for sustaining interpersonal relationships (Feingold, 1994; Wellman, 1992). Research findings consistent with this sensitivity orientation have shown that women are more likely to maintain harmonious interactions (Kolb, 1991; Rosenberg, 1989), interact in a pleasant manner (Wagner & Winterbotham, 1993), pay attention to what others are saying (Cross & Madson 1997), and verbally reinforce/support others (Watts, 1992). To maintain relationships, women have also been found to be more likely to resolve problems through consensus (Rosener, 1990; Wall & Dewhurst, 1991).

EMOTIONAL TRAITS

Research across a wide variety of disciplines has found that women are much more likely than men to share their emotions with others (Brownell, 1993). In terms of specific emotions, women are more likely to express fear (Brody, Hay, & Vandewater, 1990), guilt (Baumeister, et al., 1994), and anxiety/distress (Feingold, 1994). However, while women convey emotions more often than men, two specific emotions have been found to be more male oriented: anger (Janisse, Edguer, & Dyck, 1986), and disgust/contempt (Stapley & Haviland, 1989).

FAIRNESS TRAITS

Research by Davis and Frazoi (1991) illustrated that women, as compared to men, are more respectful of the views of others and are more likely to take the view of others into consideration. Partly as a function of a greater empathy for treating others as equals, women are also perceived as having higher levels of interpersonal trust and fairness (Johnson-George & Swap, 1992). Lastly, because women emphasize fairness in their relationships, they are more willing to apologize than men when they think it is the right thing to do (Gonzales, et al., 1990).

HYPOTHESES/METHOD

The research covered a wide range of gender-related issues and traits. A study was conducted to ascertain how prospective managers perceive communication traits and how communications teachers can employ this knowledge in the classroom.

Consistent with the literature discussed above, the following hypotheses are suggested:

H1: Control/Dominance will be viewed as a more male-oriented communication trait.

H2: Listening/support will be viewed as a more female-oriented communication trait.

H3: (a) Through their communications, women will be perceived as greater overall conveyors of emotions/moods; including (b) distress, fear, guilt, and anxiety; (c) men will be greater conveyors of anger and disgust.

H4: Fairness will be viewed as a more female-oriented communication trait.

Hypotheses 1-4 pertain to overall perceptions of gender-related communication traits. Support for these hypotheses will be a function of the aggregated responses across genders. However, a review of the gender literature by Cross and Madson (1997) reveals that men and women may have different perceptions of the extent to which various psychological and sociological traits pertain to one of the two genders. This leads to the last hypothesis:

H5: Men and women will differ in their perceptions of the extent to which various communication traits are male or female oriented.

A study was designed to test the preceding five hypotheses. A questionnaire was developed that contained 33 traits, identified by previous research as relating to our four communication dimensions. The questionnaire was pretested to assure understanding of the trait questions. The questionnaire was then distributed to 340 students enrolled in an upper division course in the College of Business and Economics at a major Midwestern university during the spring of 1997. The students were asked to rate each communication trait on a 5-point scale ranging from 1=*a stronger male communication trait to 5=a stronger female trait*.

RESULTS/FINDINGS

The traits associated with the communication dimensions, the mean scores for each of the traits, and the overall mean for each of the dimensions are shown in Table 1. To test the hypotheses, mean scores are classified ranging from 1-2.75 as being male-oriented communication traits, 2.76-3.24 as gender-neutral communication traits, and 3.25-5.0 as female-oriented communication traits. The authors of this study determined that means within .25 of the mid-point or 3.0 are essentially neutral. Means closer to the end-points represent stronger gender-specific business communication traits.

The overall mean score across genders for the control/dominance communication trait was 2.39. This provides strong support for H1 that men attempt to control/dominate communications more than do women. Moreover, each of the individual control/dominance traits had a mean score less than 2.75. Of the eight traits, bragging/boasting (1.89), assertive/bold communicators (2.11), status seekers through communications (2.28), and insulting others (2.34), were the strongest men-oriented control/dominance communication traits.

Hypothesis 2 was also supported. Women were believed to have greater listening/support skills during communications (overall mean=3.72). In addition, each of the listening/support communication traits had mean scores greater than 3.4. Of the 12 traits, personal/caring communications (4.13), tender communications (4.0), politeness (3.87), and seeking harmony through communications (3.81), were the strongest women-oriented listening/support skills.

Hypothesis 3 contained three components. H3a proposed that women were stronger communicators of emotions. As shown in Table 1, the mean score for this trait was 3.54. H3a was therefore supported. H3b contained five separate emotions that were believed to be more commonly communicated by women. The mean score across the five emotional traits was 3.54, thus supporting H3b. Of these, distress (3.74) and fear (3.73) were perceived to be the strongest of the women-oriented emotional traits. Lastly, H3c proposed that anger and fear were more likely to be communicated by men than by women. The overall mean score for the proposed men-oriented emotions was 2.65 - thus H3c was supported. However, this support was due to the anger communication trait (2.40) and not the disgust trait (2.91).

The last communication trait hypothesis was H4. As shown in Table 1, H4 was supported in that women are perceived to be fairer communicators than men (3.43), Apologizing when they are wrong (3.73) and treating others as equals (3.44), were the strongest women-oriented communication fairness traits.

Table 1
Mean Scores and T-Tests for Communication Traits

Communication Traits (Note: 24 respondents didn't disclose gender)	Overall Sample Mean	Mean Men (n=189)	Mean Women (n=127)	t-Value	P-Value
Control/Dominance Communication Traits (H1)	2.39	2.33	2.45	-2.10	0.05
Brag/Boast	1.89	1.83	1.96	-1.50	ns
Assertive/Bold	2.11	1.97	2.31	-4.00	0.001
Seek status when talking	2.28	2.28	2.20	0.90	ns
Insult others	2.34	2.29	2.33	-0.60	ns
Impatient with others	2.51	2.51	2.46	0.40	ns
Interrupt others	2.75	2.61	2.94	-2.90	0.01
Criticize others	2.72	2.64	2.84	-1.80	0.08
Dominate conversation	2.53	2.54	2.50	0.40	ns
Listening/Support Communication Traits (H2)	3.72	3.62	3.89	-6.10	0.001
Personal/caring communications	4.13	4.07	4.27	-3.30	0.001
Tender communications	4.00	3.97	4.06	-1.30	ns
Polite	3.87	3.78	3.98	-2.80	0.01
Seek harmony	3.81	3.71	3.96	-3.40	0.001
Build agreement	3.73	3.60	3.97	-3.80	0.001
Supportive communications	3.70	3.62	3.85	-2.90	0.05
Concede/give in to others	3.71	3.63	3.87	-1.50	ns
Listening skills	3.69	3.54	3.91	-4.30	0.001
Provide praise	3.59	3.47	3.79	-4.10	0.001
Try to bond during conversations	3.53	3.41	3.78	-3.70	0.001
Pleasant communications	3.48	3.43	3.58	-2.00	0.05
Providing feedback	3.42	3.23	3.68	-5.10	0.001
Emotional Communication Traits (H3)	3.95				
Overall communicator of emotions (H3a)	3.54	3.88	4.09	-2.10	0.05
Women-oriented emotions (H3b)	3.54	3.56	3.56	0.00	ns
Distress	3.74	3.74	3.76	-0.30	ns
Fear	3.73	3.70	3.78	-0.20	ns
Moody	3.56	3.71	3.35	3.90	0.001
Guilt	3.34	3.31	3.41	-0.30	ns
Anxiety	3.33	3.19	3.53	-4.00	0.001
Male-oriented emotions (H3c)	2.65	2.54	2.67	-1.60	ns
Anger	2.40	2.23	2.50	-3.20	0.01
Disgust	2.91	2.87	2.95	0.02	ns
Fairness Communication Trait (H4)	3.43	3.32	3.57	-4.80	0.001
Apologize	3.73	3.59	3.94	-4.30	0.001
Treat others as equals when conversing	3.44	3.39	3.54	-2.10	0.05
Treat others fairly when conversing	3.37	3.27	3.48	-2.80	0.05
Respectful communicators	3.37	3.26	3.50	-3.20	0.01
Trustful communicators	3.25	3.10	3.40	-3.60	0.001

Also provided in Table 1 are the findings related to H5 which proposes that men and women will differ in their view of the extent to which the various communication traits are male-female oriented. Overall, H5 was strongly supported. Women and men statistically differed in terms of the control/dominance communication trait ($p < .05$), listening/support communication trait ($p < .001$), overall emotion communication trait ($p < .05$), and the fairness communication trait ($p < .001$). In addition, of the 33 different communication traits on the questionnaire, 21 had significant cross-gender differences. Moreover, although the women- and men-oriented emotions did not have statistically significant differences when summed, three of the eight individual questions did.

Although the fact that H5 by itself has strong implications, the direction of these differences is especially noteworthy. Specifically, *in all but one case* (moody communicators), men and women alike rated the individual communication traits closer to their respective end-point on the gender-specific continuum. This is not to say that men rated the communication traits as male traits and women as female traits, only that the mean scores for the two genders moved toward the endpoints. For example, the overall mean score for fairness was 3.43, indicating a women-oriented communication trait. However, the mean for men was 3.32 (closer to men endpoint) and for women it was 3.57 (closer to the women endpoint). Similarly, the overall control/dominance mean was 2.39, indicating a men-oriented trait; with the mean score for men being 2.33 and the mean score for women being 2.45.

CONCLUSIONS AND RECOMMENDATIONS

A major objective of this study was to gain a better understanding of differences that may exist in the way in which men and women communicate with each other in the business world. Conceptually, a greater knowledge of gender communication differences is advantageous for a number of reasons. First, educators themselves would be able to improve how they communicate with men and women in the classroom. Second, these educators could revise their teaching methods to increase students' awareness of gender communication styles. As a result, future managers will have the opportunity to improve the quality of the work environment in the business world by increasing insights into not only how men and women communicate differently, but through adapting their own communications and the communications of subordinates to the needs of their exchange partners as well.

Although no effort was made in this study to develop inter-gender communication guidelines, the views of other business communication experts may provide normative insight. Specifically, as discussed earlier, Phillips (1995) labeled men as warriors and women as villagers. He contends the best managers utilize a combination of villagers and warriors communication strategies. Similarly, Tingley (1993) believes that managers will increase interpersonal influence when they adapt to gender-specific language differences. Termed "genderflexing," the main point is that temporarily using communication behaviors common to the other gender is likely to be more effective than utilizing gender-discrepant styles.

Strategically, Tingley (1993) recommends that (1) managers and co-workers must open their minds to communicating differently, (2) differences must be acknowledged and accepted without judgment, (3) reinforce those who are willing to adjust, (4) develop appropriate adaptation strategies, and (5) evaluate the success of adaptation strategies and modify your approach if necessary.

The authors of this study agree with the view of Phillips (1995), Tingley (1993) and others that effective interpersonal exchange between individuals requires adapting one's communication strategies to accommodate the needs of others. Educators have the ability to teach adaptive communication skills to future managers. Teaching strategies that would be useful for sensitizing students to differences in the way in which men and women communicate and that will be effective for developing successful adaptation strategies are discussed below.

Role playing—arrange scenarios for students to experience role reversal. First indicate which gender is associated with the trait and then ask the other gender to choose a means of communication that would eliminate barriers to the message.

Case studies—access examples of work situations that were caused by differences in gender communication. Ask the students how they would approach the case after employing critical thinking skills.

Guest speakers—ask gender equity personnel to present their position to the students and why their position evolved at their company.

The communication model—apply gender communication strategies to the communication model. Indicate how the failing to be sensitive to one's gender can pose a barrier to communication.

Projects—have students evaluate interpersonal communications in the real world and have them develop strategies for changing/improving how the company handles inter-gender communications.

Research—encourage students to conduct research in the gender communication area. On-going research is needed to determine a framework for gender communication.

Educators should not change the way males and females communicate. They should, however, stress why males and females communicate differently and how to be sensitive to the opposite gender's communication. These strategies will assist all in meeting the goals of the organization.

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WHEN THE TERMINATOR COMES TO WORK

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ABSTRACT

During the 1990s, incidents of workplace violence increased in number and intensity. This violence is directed towards managers, supervisors, co-workers and spouses. Toxic bosses, stress, and layoffs are just a few factors that prompt such crisis events.

Understandably, communication in the workplace involves more than just getting the job done; it involves opening communication lines so that violence does not occur in the workplace. This paper will discuss the reasons for increased violence at work, cost of violence at work, corporate liability, and prevention strategies on how to possibly avert workplace violence.

INTRODUCTION

Shortly after being fired, a Tampa, Florida man returned to his former workplace and shot three of his supervisors as they sat eating their lunches. He wounded two others, and then he killed himself. We live in an increasingly violent world. Across America, in cities large and small, citizens are becoming more and more fearful that violence is out of control. Violent crime, for example, has increased 200 percent in the past two decades (Stone, 1995). An act of violence occurs every six minutes on television, and the violence that is throughout our society has been superimposed on the corporate landscape. For 1992, the FBI estimated the total number of homicides in the U.S. at 23,760, or one homicide very 22 minutes. Over the decade of the 1980s, 7,603 homicides occurred in American workplaces (Stone, 1995).

Workplace murder is one of the fastest growing categories of homicide in the United States. According to the Bureau of Labor Statistics, homicide was the second leading manner of job-related deaths (1,063), accounting for 17 percent of the 6,271 fatal work injuries in 1993. This translates to approximately 20 people killed at work each week (Stone, 1995). Before the 1980s, murder in the workplace was rare; now it is a daily occurrence. In addition to more than 1,000 homicides, one million physical assaults occur at work each year (Segal, 1996). Violent employee incidents often begin as simple conflicts that end in costly violent acts. Under the circumstances, employers have more than a right to attempt to prevent workplace violence; they have a responsibility.

REASONS FOR INCREASED VIOLENCE

People are violent today at the workplace for numerous reasons. Emotionally, the workplace is of crucial importance. As personal discourse declines in our age of mass media, social and interpersonal skills show a corresponding decrease (Kinney, 1995). According to a study of 395 human resource managers and security managers done by the University of Southern California's Center for Crisis Management in Los Angeles, survey participants attributed workplace violence to such flaws in their organizations as inadequate training programs to handle stress, substance abuse and violence, insufficient background and screening checks of all employees; poor communication, and "general organizational instability" (Workplace Violence, 1996).

In addition, downsizing, which has displaced more than 9 million workers over the past decade, is partly behind the rising tide of workplace assaults and homicides. In the past three years, 122,000 workers were let go by IBM, 83,000 by AT&T, and 74,000 by General Motors. Also, the surviving employees are being asked to perform more tasks and are afraid to say no, for fear of losing their jobs (Clark, 1995). When a person feels powerless and hopeless, feelings of desperation or retaliation can take over. One trucker went on a violent rampage when he was fired after being told by his supervisor that "guys like you are a dime a dozen." That was the last straw (Labig, 1996).

TOXIC WORK ENVIRONMENTS

The great silent secret of the American workplace is that emotional abuse is a far more pervasive problem than sexual, age, or race discrimination (Estrin, 1996). Columbia University Psychologist Harvey Hornstein sent out a questionnaire to nearly 1,000 men and women over an eight year period. He found that 90% of the U.S. work force has at some point been subjected to abusive behavior. He adds that on any given day, one of five people gets abused by a boss (Labich, 1996). Employees learn to accept being screamed at, harshly criticized or threatened with job loss, and they are taught to "take the heat" (Estrin, 1996). Many people have experienced a verbal lashing from a manager, a vindictive coworker, or a raging administrator. Not surprisingly, emotional abuse exacts a huge penalty in terms of turnover, lost productivity, destroyed morale, not to mention workplace violence.

Companies that harbor abusive managers may face a range of lawsuits and will certainly be left with a shell-shocked, less productive work force. Employees who are victimized take a bigger hit; many regularly suffer from anxiety, depression, heart problems, gastrointestinal disorders, headaches, skin rashes, and insomnia (Labich, 1996). Joseph Kinney, in his book *Violence at Work: How to Make your Company Safer for Employees and Customers*, describes a toxic workplace as characterized by problems such as chronic labor-management disputes; frequent employee grievances; high numbers of injury claims (especially for psychological stress); understaffing, and an authoritarian management approach (Clark, 1995).

STRESS AND THE TERMINATOR

The concept of stress and overwork goes back to Aristotle, who warned against ambition motivated by an "excessive love of honors." But the notion of stress as the human body's reaction to pressure and taxing labor is a 20th century concept (Clark, 1995). In fact, stress has become almost a business buzzword. A variety of experiences in the work environment can produce stress. A boring or overly demanding workload, conflict or ambiguity among roles, threats to job security, and pay inequity or unfair management practices may all cause stress and may have serious ramifications not just for work satisfaction but also for health (Ramanathan, 1995).

At one time, home used to be a haven to escape to, but nowadays many bosses like you to check your e-mail regularly from home. Some people love the convenience, but it can make it difficult to leave work problems at work. The most recent symptom of the problem, known as "technostress" is variously described as a fear of automation or the visible impatience seen in people accustomed to functioning at the nanosecond pace set by computers (Clark, 1995).

Not surprisingly, as many as 75-90 percent of visits to physicians are related to stress. The American Institute of Stress estimates the cost to industry at $200-$300 billion a year. Stress-related claims cost, on average, $15,000 to $20,000 per claim, double the amount of physical injury claims (Mantell, 1994). Also, the number of stress-related claims by American workers doubled from 1982-1992. When people feel stressed and powerless, their ability to cope dwindles. According to one psychologist, the number of violent acts in the workplace has increased up to 300% (Stone, 1995).

COST OF VIOLENCE AT WORK

In addition to the stress-related costs, a security consulting firm has estimated that workplace violence costs Americans $366 billion, 850% more than a previously published estimate of $4.2 billion. The Workplace Violence Research Institute sought to place a dollar figure on the cost of 1993 workplace incidents. The Institute defined workplace violence as including homicides, physical attacks, rape, assaults, threats, intimidation, coercion, all forms of harassment and any other act that creates a hostile work environment (Work Violence, 1995).

Also, a violent act can impede productivity by lowering morale, increasing absenteeism, creating conflict between labor and management, and increasing the turnover rate. Workers who feel threatened or unsafe at work are less productive, more injury-and-illness-prone, and may quit sooner than they otherwise would. A violent incident also diverts company resources as a result of litigation and crisis response (Hess, 1996).

CORPORATE LIABILITY

Many companies have found out that they are only one bullet away from the heaviest scrutiny they have ever had. The scrutiny can come not only from the media, but also from the employees, employees' families, attorneys and governmental agencies. Each of these parties will be taking a look at the incident and trying to determine whether it was a foreseeable risk, which could leave the company open to liability (Howard, 1996).

Potential liability for violence in the workplace varies greatly, depending on the laws of the particular state in which an employer is located. In almost all states, however, courts have ruled that employers have a duty of care toward their members, customers, and employees. Being found liable for workplace violence has cost more than one organization hundreds of thousands of dollars (Labig, 1996). Organizations that fail to consider the issue of workplace violence expose themselves to a constellation of potentially undesirable costs: litigation expenses, negligent hiring claims, insurance losses, sabotage, vandalism of company property, building repair and cleanup, psychological care for employees, and increased security (Stone, 1995).

PREVENTION STRATEGIES

Many of the employees who have committed murder at the work site were in the process of being disciplined or terminated by their employers. Disciplinary action raises the level of stress in most employees, pushing them to different ways of thinking, feeling, and sometimes acting. Prevention Strategies include:

** Offer diversity training, if racial problems exist in the company.
** Institute aggression management training so a person knows what to do if he or she is about to be attacked.
** Foster a supportive work environment.
** Strive to communicate openly with employees.
** Provide employees with support and recognition.
** Reduce conflict and stress by giving employees adequate control over their work.
** Develop employees' skills in negotiating, communicating effectively, and resolving disputes.
** Protect employees from harassment.
** Develop effective policies to help avert workplace violence.
** Terminate with kindness, and let employees leave with their dignity (Kelley, 1995).

In addition, there are two videos organizations might find helpful: "Call to Action: Managing Violence in the Workplace" is a training video with student and leader guides. This video can be purchased from Peerless Video in San Francisco, CA. The second video is from BNA Communications, Inc., "Taking Control of Workplace Violence." It is a video-based training program to enhance awareness and prevention of violence on the job. The video helps managers and supervisors to recognize and deal with threats and threatening behaviors; use internal and external resources to effectively resolve conflicts; use training to reduce risks and improve employee communication; hire and fire employees in ways that help to reduce the risk of violence, and respond to emergency situations in a safe and effective manner (Ideas, 1995).

CONCLUSION

In 1986, few employers were prepared to deal with sexual harassment. Now every reasonable employer must deal with the situation. In 1996, few employers are prepared to deal with workplace violence. By 2006, it is forecasted that prevention programs will be in place in most organizations.

To help avoid the Terminator from coming to work, managers need to pay attention to the kinds of stress and toxic environments that employees experience. Not surprisingly, communication plays a critical role in reducing workplace violence. Terminating with kindness, establishing training programs, and developing a healthier work environment will reduce the possibility of violence in the workplace. Because of the extensive costs, organizations can "do it now, or do it later," but they will eventually have to do it.

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BROTHER, CAN YOU SPARE AN HOUR ON COMPUSERVE?: HOW THE INTERNET WILL REINVENT CORPORATE RECRUITING

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ABSTRACT

This article examines the coming transformation in the employment marketplace as more and more, the Internet comes to prominence as both a corporate recruiting and job searching tool. Just how companies are making use of the Internet in their recruitment efforts is the principal focus of the article. The distinct advantages and potential disadvantages for companies engaging in electronic-based recruiting are also discussed.

INTRODUCTION

Today, there is literally a massive rush of traffic rushing onto the Information Superhighway. Millions are logging onto the Internet for the first time, fueling the massive growth of the number of Internet users and sites on the World Wide Web.

With all the hype about the Internet and the Web, the question is what can you actually do in cyberspace? Each and everyday, imaginative individuals and innovative companies - large and small - are establishing their presence on the Net through establishing addresses and posting their own homepages on the World Wide Web. Whether it be conducting research (Makulowich, 1995), advertising products or services (O'Connell, 1995), trading securities (O'Connell, 1996), making travel reservations (McCartney, 1996), or even gambling (Zgodzinski, 1995), all these diverse uses of the Internet share one common thread. They are all based on the Internet's inherent advantages over other, established modes of communications.

The Internet has proven unmatched as a communication device - allowing for electronic mail (e-mail) messages and entire documents to be transmitted between parties with the click of a mouse and for real-time conversations - both in print and increasingly will full audio and video - to be conducted over the Web. This capability allows individuals and organizations to communicate more easily, more quickly, and more cheaply than ever before, whether the parties involved are around the corner, across the country, or literally around the world.

The exponential growth of the Internet has been phenomenal, and there seems to be no end in sight to both corporate and individual interest in not just entering cyberspace, but finding ways to make profitable use of its communication abilities. The Internet is thus fast moving into the mainstream of American life, and with this move, it is becoming regarded as a key tool in business communications (Flynn, 1996). Yet, for all the hype and for all the innovative uses of this network of networks, as Greengard (1995) noted, the true value of the Internet will be seen as the medium is employed to solve real problems.

While being able to read David Letterman's Top Ten List, to buy office equipment or flowers, or to even play blackjack for real dollars from anywhere on the planet at any time may be inventive and perhaps even practical, they are not revolutionary uses of the newfound communications power of cyberspace. This is due to the fact that each represents the use of the Internet as an alternate form of communication or outlet of distribution for information and products that have formerly been sought in a marketplace that works rather well in the "real world."

Today however, nothing short of a revolution is occurring on the Information Superhighway in one aspect of the business marketplace that has never worked very efficiently - that of matching up prospective employees with employers with job openings that match their skills, education, and abilities (Levenson, 1995). The use of the Internet for corporate recruiting and for job hunting has been categorized as developing "at breakneck speed" (Booker, 1994, p. 1). Although hard numbers are difficult to come by, hundreds of individuals everyday are already finding employment through the new employment market in cyberspace (Grusky, 1996). While today, between fifty and eighty percent of the jobs listed on-line are technical in nature (Fryer, 1995), the Internet is fast-emerging as a placement arena for everything from sales to secretarial positions (Grusky, 1996).

Rarely can it be said that you lived through a quantum change in the way things are done. However, with the advent of the Internet, just such a change is taking place. It is occurring in the way companies are recruiting individuals for positions in their firms and the manner in which job hunters are contacting companies to express their interest in positions within them. No one expects the Internet to replace the local florist as the primary vendor of flowers or for "cyber-casinos" to replace Las Vegas or your local Indian casino. However, the Internet may well be transforming forever the way corporations recruit employees and the way individuals hunt for jobs. In this article, we will explore the roots of this change and the likely implications for human resource management into the 21st Century.

THE INTERNET'S ABILITY TO MATCH JOBS AND JOB HUNTERS

How do companies fill job openings? Traditionally, there have only been a limited number of options. These include the use of classified advertising, the engagement of executive recruiters, and the listing of the position with government agencies. On the other side of the equation, how have individuals gone about seeking employment? Once again, job seekers have only had a limited number of options available to them - namely sending out resumes and completing applications for organizations after finding out about an actual or expected job opening. The principal challenge on both ends of the equation is for each party to learn of the other's need in a timely fashion.

The Internet has the potential for making the job market work much more efficiently than it has in the past for both organizations and job seekers. This is because of its potential to provide timely information and to facilitate new and different types of communications between and amongst both job seekers.

There are a number of ways that organizations - both large and small - can take advantage of the Internet in their recruitment efforts. Some companies however enter the realm of cyberspace for recruiting not through a deliberate strategic effort, but rather through small steps, or even accidents. Newspapers themselves, along with a variety of consortiums and on-line services, are posting classified advertising on the World Wide Web (Siwolop, 1995). This has led to electronic job-hunting as job-seekers scan these ads via the Internet. Also, companies are fast making it standard practice to include their Internet address in not only their mainline advertising, but in their classified ads as well. Thus, there are beginning to be significant numbers of job-seekers who are choosing to respond to companies' job postings via e-mail, rather than through the regular mail. Simply by giving applicants the ability to e-mail their resume to the company or a corporate homepage address to access more information on the company and its job openings increases the response rates to advertising jobs in classified ads or other media. Hodes (1995) noted that this is a benefit that is often overlooked, due to the fact that the use of the Internet in such a fashion simply adds value to companies' traditional media-based recruitment efforts. Finally, some organizations find that they are making use of cyberspace as a recruitment medium as a result of "renegade" human resource personnel and tech staffers who post job listings on the Internet without authorization (Appleton, 1995).

Increasingly organizations are making a deliberate effort to move more and more of their recruitment efforts onto the Internet through posting their job openings either on links to their corporate homepages on the Web or through commercial on-line services (such as CompuServe and America Online) (Allen, 1995). Through either method, potential applicants are allowed to examine a company's job openings and then make a determination as to whether or not they wish to apply for a particular position. Application can then be made through either the submission of an electronic version of the applicant's resume or the completion of an electronic application for the company.

In fact, an organization's entire application procedure can be transformed into a programmed process, guiding the applicant from the on-line job posting forward to the consideration stage. Submitting an application can be done with the click of a mouse. When an application has missing information, the company can instantly ask an applicant to supply it - or refuse to accept it. A company can also ask for the e-mail addresses of an applicant's references, and then instantly send out pre-programmed requests for information on the applicant from them. Likewise, once an applicant has been determined to have met the baseline criteria for a particular position, the programmed process can automatically run the necessary security, criminal, and/or credit checks on the applicant.

What are the advantages of posting jobs on-line versus more traditional means of communication? With the advent of the Internet, companies can literally post job openings in minutes and begin receiving resumes and applications for these jobs in hours (Greengard, 1995). This is a vast improvement over classified ads, where a company must await not just the publication of newspaper editions where the ad for a given position will run, but also the built-in lag time of the applicant mailing in a resume in response (Appleton, 1995). Another inherent disadvantage to classified advertising is the fact that in the print media, information is a variable cost. Posting a larger ad makes the process more costly. Likewise, running a classified ad repeatedly costs more than a one-time posting. However, with on-line job postings, there are no additional costs per word or per inch. As such, a company can feel free to give as much detail as warranted for every job. In the same vein, companies must pay varying rates for classified advertising based upon the target audience they wish to reach (based upon the newspaper's circulation figures). In contrast, on the Internet, there are negligible, variable costs to post an individual job, and the audience is, potentially, unlimited. This turns what was formerly a variable cost in human resource management (in deciding how advertise each particular job opening) into a much reduced (and fixed) cost (Appleton, 1995).

The major advantage of posting jobs on the Internet over traditional forms of communication has proven to be the nature of the respondents to the job listings. Overman (1995) observed that it is quite common for employers to get far fewer responses to on-line job postings than classified advertising. However, the quality of these responses, in terms of the suitability of the applicants for the positions in question, has generally been found to be higher due to the high education levels of today's Internet users.

Perhaps the principal reason for the higher quality of Internet-based applicants springs from the fact that the Internet serves as a great method of "self-selection." This is due to that fact that with Internet-based recruiting only being in its infancy, candidates who are the most technologically savvy and the most computer literate will be the first-ones to make use of the Internet for job hunting (Flynn, 1996). According to James Gonyea, author of <u>The On-line Job Search Companion</u>, "the very fact that a candidate seeks jobs this way (on-line) demonstrates a willingness to use technology and to be in touch with the cutting edge" (quoted in Fryer, 1995, p. 60). Thus, the Internet has been touted as the best way for high-tech companies to link-up with those who have technical and computer skills (Levenson, 1995).

The Internet has also been extolled as an excellent means for companies to reach out to top-tier college students due to the fact that the best and the (technologically) brightest are the students most likely to make use of the Internet in their job hunting efforts (Hodes, 1995). Still, experience is showing that despite the fact that self-selection is happening, college students are largely not being sought by employers over the Internet due to the desire of companies to find skilled and experienced personnel (Levenson, 1995).

For all the structure which can be imposed on the application process, the Internet also promises to make the recruiting process a less structured, more free-wheeling affair. This will ultimately mean that the company can have <u>more</u> and <u>better</u> information on applicants than what they have had in the past. However, the information may come through very different communication processes and devices than what are employed today.

If the Internet is fully developed as a corporate recruiting tool, the very concepts which are considered fundamental to the recruiting process - the "resume," the "application," the "interview," and the "site visit" may be changed forever.

Resumes will more and more become "files" that are ready to e-mail to companies rather than documents that are to be mailed. As Radding (1995) stressed, this means that the form of resumes must change as well. This will be due to the fact that corporations are moving to programs which can quickly scan volummes of resumes e-mailed to a company - hunting for key words emphasizing the experience, knowledge, and abilities an organization would be looking for specific positions. More and more, a resume will not be a self-contained document, either in electronic form or on paper. Within five years, as "personal" homepages become increasingly commonplace, they will become an indispensable tool in job hunting. Welz (1995) observed that "soon, to be taken seriously in the high-tech job market, you will be expected to present yourself in hypertext on the Web, complete with links to your publications, reference letters, and, if you have a sense of humor, pictures of your dog" (p. 52).

Interviews have heretofore been thought of as having a "quorum" - that being at least a company person (or persons) being in a room with an applicant. However, with the advent of the Internet, the very concept of interviewing may be in for a significant change as well. No longer will there be a requirement for anyone to be any particular place for an interview to occur. Interviews can occur via on-line conversations and e-mail. Also, with the inclusion of video transmission capabilities, fully interactive conversations can take place. In fact, the very nature of communications on the Internet allows for much more contact to occur between company personnel and one or more applicants. Through discussion groups , chat-rooms, and e-mail, those employed by a company and those seeking employment with the same organization can carry on dialogues spanning hours, days, weeks, months, or even years. While Loeb (1995) labelled this practice with the negative moniker of "cyberschmoozing," Overman (1995) commented that electronic communications can make establishing such relationships - whether or not they might end up in employment - much easier.

Thus, while the interview has formerly been considered a discrete, time-limited event, the Internet makes it conceivable for employees and potential applicants to carry-on a more free-wheeling dialogue which may - or may not - even center around the potential employment relationship. This can serve to greatly enhance the quality of the communications between the parties and to transform the interview into a true process.

Visiting an employer's place of business and the locale where one might be working can also be made much easier over the Internet. Today, we live in an environment where anyone with an Internet connection can take a full-color, full-motion tour of the White House, the Louve, or the San Diego Zoo. Companies can put this same technology to use to allow outsiders - not just applicants and potential job hunters, but clients, customers, students, etc. - to tour their plants and facilities, to hear words from their key executives, and to see their entire line of product offerings. In short, such an action could become not just a tremendous recruiting tool, but a positive public/customer relations asset which could serve both to enhance the corporate image and ultimately, to sell products (Overman, 1995). Further, companies can add video and still clips which will allow applicants and other interested parties to learn about the communities in which they could possibly live while working for that particular company. Hypertext links can actually allow applicants to check out home prices in these areas, school systems, and even churches - permitting job seekers to check out the lifestyle and cultural aspects of various locales (Booker, 1994). To add such a feature, companies can either put together such "community information" themselves, or more likely, work in conjunction with local chambers of commerce, tourism agencies, civic governments and community groups and realtors to make use of their resources in their respective areas.

Making use of the Internet enables both companies and individuals to expand their geographic reach. In essence, geography becomes a "non-issue" in at least the early stages of discussions regarding job openings between organizations and job applicants. With contacts made over the Internet, electronic communication makes distance or even national boundaries irrelevant, as it costs no more and takes no longer to transmit e-mail or make contact with a homepage which is around the block, across the country, or around the world. Already, there is evidence of transnational job placements having occurred over the Internet (Clancy-Kelly, 1995). There can be no doubt that the ease of communications via the Internet enables companies to cast a wider net in recruiting applicants, and vice versa, for job seekers to inquire about positions with companies farther from home and farther afield than ever before. As Levenson (1995) stated, the Internet "breaks down the geographic limitations of traditional job searches...(allowing) job seekers to achieve a visibility they could never get by mailing resumes to individual employers (p. 7). Yet, in this environment where time and space are made less relevant to recruiting and job hunting, there is perhaps even a greater need than ever to have personal contact between the employer and the job applicant (King, 1995). Thus, while today it is just as easy for a person to apply for a job with a computer electronics firm in Hong Kong as an outfit in Austin or for a company to consider an applicant from Bombay as one from Baltimore, when it comes to serious consideration, that may be another question entirely - as the true costs and implications will always come into play for both the prospective employer and the applicant.

Thus, the use of the Internet by human resource management for recruiting presents a number of potential advantages to organizations. Holistically, it has been noted that the Internet offers the possibility that human resource departments can be made more productive - in that they can fill more jobs in less time at less expense (Welz, 1995). Quite simply, on-line recruiting will also be less paper-based and will thus require less clerical workers to handle the paper and less filing cabinets and storage space (Greengard, 1995). While this may well mean that new computer resources may need to be acquired to handle resumes and correspondence coming in "bits" rather than on paper, overall, it has been projected that the changeover may make the operations of human resource departments in organizations much less costly (Appleton, 1995).

What are some of the potential pitfalls for Internet-based corporate recruiting? First, Flynn (1996) cautioned employers to make sure that their own employees have the same access to job postings in cyberspace as external job seekers have. She urged employers to list jobs and make the application process for openings available both on the Internet and over their internal intranet. If a company failed to do so, it might actually serve to give external job applicants "a leg up" on internal candidates, which could serve to greatly hurt employee loyalty and morale.

The second potential disadvantage for the increasing use of the Internet for corporate recruiting is the impact which this could have on diversity in organizations. The overall statistics on the growth of the Internet contain a concerning detail. This is the fact that the millions of people in the subset of the American population who are Internet users are not as diverse a group as the entirety of America. While the demographics are beginning to change to be more reflective of society as a whole, the fact remains that the Internet is overwhelmingly male and overwhelmingly white (Bournellis, 1995). In fact, it has been speculated that employers who would solely rely on the Internet for recruiting might well be conducting a practice in violation of Title VII of the Civil Rights Act (Hatlevig, 1995).

Employers should thus be aware of the potential discrimination law ramifications of Internet-based recruiting. However, the main preventative measure that a company can take to avoid potential charges of racial or gender discrimination is to use both Internet-based and more traditional methods of recruiting potential job applicants.

Yet, for today's concerns over both the current demographics of the Internet and the current law regarding employment discrimination, the true potential of the Internet lies in its ability to promote greater diversity and greater fairness in the employee selection process. As the demographics of the Internet come to reflect America as a whole over the next few years, the Internet has the potential to remove stereotype-based barriers to employment faced by many groups in society. Over the Internet, one's race, one's gender, even one's physical disabilities, play no role whatsoever in the decision-making process of potential employers. If ever there was a totally-objective environment in which to make employment decisions, cyberspace is it. Thus, as more and more companies shift to the Internet for employee recruiting, more and more individuals will have truly equal opportunities at employment. It has been suggested that the Internet will be the ultimate way for women and minorities to circumvent the "good old boys network" and level the playing field (Fryer, 1995, p. 60). Some have even suggested that the Internet is the ultimate way for extremely talented, but extremely introverted individuals to succeed in job hunting (Holden, 1995).

On a final note in this regard, what will the advent of an Internet-based employment market mean in regards to the use of executive recruiters as a source of personnel? What will become of so-called "headhunters" (who are in the business of matching skilled personnel with companies having need for such people) when companies and individuals can link-up without an intermediary? In the near term, even though making use of an executive search firm can cost a company tens of thousands of dollars per job (Appleton, 1995), it appears that executive-level jobs may be some of the last to make the transition to cyberspace. These are still largely being filled via traditional networks and executive recruitment (Siwolop, 1996).

THE FUTURE OF CORPORATE RECRUITING IN CYBERSPACE

No matter how much the world has changed over the past few decades (and in truth since the rise of the industrial age), the employment market has operated pretty much the same. In the employment marketplace, companies have went to look for qualified applicants that suit their needs, while likewise, applicants have went looking for jobs that meet their expectations. Over the past centuries, managers have went from advertising their jobs in the village square to advertising them in the Sunday classifieds. Over the past decades, applicants have went from typing their resumes on typewriters to I.B.M. Selectrics and then to computers. Yet, no matter what technological innovation has come down the pipe (telephone, overnight letters, fax, etc.), the constant in the employment market has been that employers and prospective employees have carried on their mutual searching process in physical space.

At the cusp of the 21st Century however, the employment market - along with the entire global economy - is beginning to make the move into cyberspace. In Being Digital, Nicholas Negroponte (1995) wrote eloquently on the rise of the information-based economy. In the former economy, which was based on making, moving, or servicing things, the basic building block of the economy of the past was the atom. Think about it. Even in the employment market, in order to exchange information, managers and applicants had to - if not physically meet - at least exchange physical forms of information (resumes, applications, reference lists, etc.).

According to Negroponte (1995), bits of information are the most basic element in the emerging information economy. In this new era then, information - and value - for the first time can be exchanged totally electronically. The rise of the digital economy will change commerce as we know it greatly over the ensuing decades. It will also greatly change the operation (and location) of the employment marketplace. The explosive growth of the Internet in the mid-1990s will lead the move toward the digital economy (Gates, 1995). It will also propel a move toward a digital employment marketplace.

Will the Internet truly reinvent corporate recruiting? Only time will provide the answer to this question. However, what cannot be disputed is the fact that the employment market is undergoing its most radical transformation in history. Companies and job seekers would be well advised to stay abreast of developments in this area and investigate closely how they can take advantage of a changing employment marketplace.

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THE BENEFIT OF A GOOD REPUTATION: AN EMPIRICAL ANALYSIS

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ABSTRACT

The premise of this study is that a good reputation serves as an intangible asset which can help protect the organization in times of corporate crises. Using data from the stock market crashes in 1987, 1989, and 1996, we examined whether companies with better reputations, as measured by Fortune's annual ratings of America's largest corporations, suffered less severe declines in market value. Variables in the model include reputation rating, Standard and Poor's stock grade, industry group, and change in stock price. Results show that when the market takes a sudden, unexpected downturn, the stock prices of companies with better reputations drop less than those of companies not favored with such positive standing. This suggests good corporate reputations do provide a reservoir of goodwill which buffers companies from market decline in times of economic turmoil, emphasizing the importance of reputation management.

INTRODUCTION

Like individuals, organizations are identified in part by the value of their good name. There is growing recognition in the business community that managerial considerations of reputation are no less significant than those involved with corporate operational, financial and legal decisions. Although a number of studies have addressed ways in which organizations might build a good reputation, the consequences of corporate reputation have been less well examined empirically. What is the value of a solid reputation once secured?

It has been suggested that reputation can serve as something of a reservoir of goodwill, both in the accounting sense (where reputation is assigned a dollar value when a firm is sold, note Davis, 1992; Bromley, 1993, citing Davis, p. 166), and in a public relations sense, where it is implied that communities will tend to give highly reputable firms the "benefit of the doubt" (Bostdorff & Vibbert, 1994; McGuire et al., 1988 [by implication], Patterson, 1993; Sobol et al., 1992). This study examines the increased importance of corporate reputation by empirically testing the premise that a good reputation serves as an intangible asset which can help protect the organization in times of corporate crises--in public relations terms, the "reservoir of goodwill" presumption.

RESEARCH QUESTION

For our purposes *reputation* is operationalized using the Fortune's "most admired corporations" survey rating. The *crisis*, or the event from which the buffer is to protect the company, is more difficult to select. While it would be interesting to study the impact of corporate reputation on disasters such as the Valdez spill or Tylenol tampering, these disasters are not comparable. They were unique and basically affected one company, or in the case of Alar, only a few companies. What is needed for the purposes of this analysis are instances where a general, unpredicted distress affected a large number of major corporations within a very narrow time frame. Additionally, such incidents must have occurred between 1982 and the present, which is the range of the corporate-reputation data set. Given these parameters, this study will examine three significant one-day stock market declines that have occurred in the past 15 years: October 19, 1987 (508 points, or 22 percent of value), October 13, 1989 (190 point drop, or 7 percent of value); and March 8, 1996 (171 points, 3 percent). Despite the wide range in percentages, all three events were among the top ten most significant point drops in the stock market of the past 15 years, as measured by the Dow Jones Industrial Average (Kansas, 1996). The selection of these three events will allow for determination of reputation effects across a range of decline severity.

The final measurement issue concerns the actual *degree of economic harm* suffered by the 250-350 companies in this study relative to their respective reputations. This will be determined by percent change in stock price. It is essential to note that the corporate reputation composite index is constructed from eight attributes (described below), only three of which are purely financial in nature (e.g., "financial soundness"). Furthermore, *Fortune* survey respondents consist of over 8,000 managers and analysts, who rate each company in their area of expertise according to their perception of that corporation. Therefore, as reputation is largely perceptual in nature, based on more non-financial than financial criteria, using stock prices to measure the concept of buffering while operationalizing economic shock as a general but severe decline in the market provides a meaningful degree of separation between event and effect. The question is: Can reputation serve to protect a company against short-term economic loss in the event of a major, sudden, general economic shock (in this case a major stock market crash or decline)?

LITERATURE REVIEW AND HYPOTHESES

The importance of reputation as an area of inquiry is underscored in the literature by its numerous suggested benefits. First and foremost, reputation has increasingly come to be recognized as an asset. (Bromley, 1993; Brouillard, 1983; Caminiti, 1992; Hall, 1992; Holmes, 1995; Sobol, Farrelly & Taper, 1992; Weigelt & Camerer, 1988). As an asset a solid corporate reputation has a number of potential advantages. It can signal publics how a firm's products, jobs, strategies and prospects compare with other firms. It can signal product quality, may enable premium prices, enhance access to capital markets and attract investors (Bromley, 1993; Frombrun & Shanley, 1990). A good reputation can help attract better job applicants, retain them once hired and maintain employee morale (Brouillard, 1983; Sobol et al., 1992). Building on a admirable reputation, a firm may have a more sustainable competitive advantage (Camaniti, 1992; Frombrun and Shanley, 1990), a better-protected "ecological niche" (Bromley, 1993), and a higher probability of generating desired returns on investment (Knipes, 1989; Riahi-Belkaoui and Pavlik, 1992). A reputable firm may charge higher prices for its product and services (Brouillard, 1983; Sobol et al.). Sobol, Farrelly and Taper (1992) summarized many of the advantages of a good reputation under the four categories of labor, finance, product/service sales and community (note especially pp. 58-79).

Although less commented upon in the literature, it is generally presumed that reputation can provide some protection for the organization in times of trouble; it can, theoretically, provide the company with resource "slack" in the event of adversity—a crisis or sudden economic downturn. In this regard, some have considered reputation using an inoculation metaphor (Caminiti, 1992; d'Alessandro, 1990). In her 1992 *Fortune* article, for example, Caminiti quotes a marketing consultant with Yankelovich that "Exxon 'never developed the kind of strong reputation that could have inoculated it against something like the Valdez spill'" (p. 77). Burgoon, Pfau and Birk (1995) find evidence that issue/advocacy advertising can inoculate against "attitude slippage" following exposure to a persuasive attack on behalf of an opposing position.

Another assertion is that corporate reputation represents a positional capability which could, along with other organizational resources, contribute to a firm's sustainable long-term competitive advantage (Hall, 1993). Unfortunately, few empirical studies have actually demonstrated hypothesized benefits of corporate reputation.

Based on the considerations outlined above, this study tests the following primary hypothesis:

H_1 The higher a firm's reputation the less relative economic loss that firm will suffer in cases of economic crisis.

The economic events studied will be the stock market crash of October, 1987, and the large one-day market declines of October, 1989 and March, 1996. A company's relative economic damage will be measured by corporate common stock price loss and reputation will be operationalized according to results of *Fortune* magazine's annual corporation reputation surveys. It is therefore hypothesized that companies with higher reputations will suffer significantly lower stock price declines the day of the market plunge, and will exhibit significantly less of a price decline two weeks after the initial drop (H_{1a} and H_{1b}, respectively). Further, in the case of the historic 1987 crash, it is hypothesized that stock prices of the more highly reputed firms will exhibit less of a decline 90 days after the market collapse (H_{1c}).

There is another issue which must be addressed. Several scholars have suggested that corporate reputation as measured by the *Fortune* survey is a biased construct. Despite the fact that five out of the eight attributes of this reputation measure are non-financial in nature (discussed below), these researchers found evidence that considerations of a company's financial well-being may have influenced respondents overall perception of the corporations being evaluated, thus creating a confounding bias or financial "halo effect" (Brown & Perry, 1994; Fryxell & Wang, 1994). Nevertheless, there exists general consensus that reputation serves as an independent construct, even if the degree of that independence from financial measures is sometimes questioned. One way to test for this possible bias is to test for correlation between *Fortune's* reputation measure and a purely financial measure of corporate health in a given year. Then, if multicollinearity is not too high, include the financial measure in the model. One highly regarded and widely used measure of financial soundness is Standard and Poor's (S&P) earnings and dividend rankings for common stocks. These rankings—actually, grades—are determined by averaging performance over a ten-year period and are computed by measuring corporate earnings and dividends, then adjusting for growth, stability with long-term trend, and cyclicality (Standard & Poor's..., 1987).

Q_{1a} Are the variables corporate reputation and corporate financial rating significantly correlated?

Because past studies have indicated lack of clear relation between reputation and long-term financial performance (McGuire et al., 1988; Sobol et al., 1992), and, more importantly, because reputation does consider a number of non-financial attributes, it is suggested that, while corporate reputation and corporate financial rating might be correlated, they will have differing relationships with the dependent variable. Therefore, the following research question is raised:

Q_{1b} Is there a difference between the relationship of corporate reputation with company stock price decline and corporate financial rating with stock price decline in cases of economic crises?

The second research question involves industry groups. For purposes of market reporting and analysis, corporate stocks are typically classified as belonging to one of eight major industry groupings. As listed daily in *The Wall Street Journal*, these groups are: basic materials, consumer cyclicals, consumer non-cyclicals, energy, financial, industrial, technology and utilities. Corporations in different industry groups exhibit differing degrees of interaction with aspects of their external environment, for example, an unexpectedly positive federal unemployment report might have immediate repercussions in a consumer-cyclical industry like automobiles, but very little effect in the utility category. So it was in the case of the 1987 stock market crash. An analysis conducted by *The Wall Street Journal* a week after the 1987 crash confirmed that the stocks of different industrial sectors were affected differently (Slater, 1987). This analysis, however, was by individual sector (e.g., toys), not category (e.g., cyclicals), and considered neither reputation nor financial rating as variables. This raises the following research question:

Q_2	In cases economic crisis, is there a difference in stock price decline when firms are examined by industry category?

METHODS

Variables

DEPENDENT: STOCK PRICE DROP: The dependent variable in this study is the percent change in the company's common stock price from the closing price the day before the major market decline to the closing price at the following selected points in time:

a) the day of the decline
b) two weeks after the decline
c) 90 days after the crash (for 1987 data only)

INDEPENDENT: 1. CORPORATE REPUTATION RATING: The independent variable "reputation" was measured by *Fortune* magazine's annual survey of corporate reputations. These surveys have been conducted every fall since 1982, with summary results published within the first quarter of the following year. In these surveys, executives, outside directors and corporate analysts were asked to rate the ten largest companies in their industry on eight attributes: quality of management; quality of products or services; long-term investment value; innovativeness; financial soundness; ability to attract, develop, and keep talented people; community and environmental responsibility; and use of corporate assets. The industry groups surveyed are the largest in the *Fortune 500* and *Fortune Service 500* directories of U.S. industrial and non-industrial corporations. Sample sizes for three years of survey results analyzed were 262, 263, and 370 for the 1987, 1989, and 1996 data sets, respectively.

A number of studies have used the *Fortune* data set (Chakravarthy, 1986; Conine and Madden, 1986; Frombrun & Shanley, 1992; McGuire, Sundgren, and Schneeweis, 1988; Riahi-Belkaoui and Pavlik, 1992; Sobol et al., 1992). Frombrun and Shanley (1990) point out, however, that the approach of several prior studies has been inappropriate to the extent that they relied on single dimensions of reputation—dimensions that, together, "demonstrate considerable empirical relatedness" (p. 245). Their factor analysis of the 1990 data, by rating, extracted a single factor which accounted for 84 percent of the variance (alpha=.97). After finding similar results with the *Fortune* survey results from 1982, 1983, 1984, and 1986, they concluded that "the eight attributes elicited from respondents were components of an underlying and stable construct of reputation" (p. 245). For the current study, the authors performed a similar analysis on the 1987 *Fortune* data set, with similar results. The eight attributes' ratings were included as variables in a factor analysis; one factor emerged, with a Chronbach's alpha reliability measure of .96. Thus, the overall reputation measure is unidimensional and the eight individual attributes are not included in further analyses.

INDEPENDENT: 2. STANDARD AND POOR'S (S&P) GRADE for earnings and dividend rankings for common stocks. This variable measures the financial soundness of a company, and is probably best described by quoting directly from S&P: "In arriving at these rankings [S&P uses] a computerized scoring system based on per-share earnings and dividend records of the most recent ten years. . . Basic scores are computed for earnings and dividends, then adjusted as indicated by a set of predetermined modifiers for growth, stability within long-term trend, and cyclicality. Adjusted scores for earnings and dividends are then combined to yield a final score. . ." (*Standard & Poor's Security Owner's Stock Guide*, 1987, p. 7). The final S&P scores assigned are in the form of letter grades, which were converted to numbers for our analyses, as follows:

A+ Highest	= 7	B+ Average	= 4	C Lowest	= 2
A High	= 6	B Below Average	= 3	D In Reorganization	= 2
A- Above Average	= 5	B- Lower	= 2	Not rated by S&P	= 1

The lowest 3 grades were combined for this analysis, giving 6 ordinal categories of the variable "S&P Grade". A seventh category, grade 1, was assigned to those companies who were not rated by S&P.

INDEPENDENT: 3. INDUSTRY CATEGORY: Fortune's reputation data set contains as many as 40 very specific industry groups. These were consolidated into more general industry categories using *The Wall Street Journal* classifications: Basic materials; Consumer, cyclical; Consumer, non-cyclical; Financial; Industrial/manufacturing; Technology; and Utilities.

Statistical Tests

The main objective of the statistical analysis is to determine the effects of three independent variables on percent change in stock price. Two of the independent variables in the study are qualitative (defined as categorical or ordinal). Specifically, S&P grade is ordinal and industry group is categorical. The other independent variable, reputation rating, is quantitative (defined as interval- or ratio-scaled). The dependent variable, percent change in stock price, is also quantitative. In the situations where the dependent variable is quantitative and independent variables are both quantitative and qualitative, analysis of covariance (ANCOVA) is appropriate (Kachigan, 1986; Pedhazur, 1982; Wildt & Ahtola, 1985).

ANCOVA results show whether reputation rating, industry group, and/or S&P grade has a statistically significant effect on stock price change. It also provides R-squared information which measures how much of the change in the dependent variable is being explained by the independent variables.

Where ANCOVA's F-test shows that one of the qualitative independent variables (grade or group) has a significant effect overall, a post hoc comparison test is used to determine exactly where the differences are. The test used is Duncan's Multiple Range test (Huck, Cormier, and Bounds, 1974, p. 68-9). Additional tests performed on the data include Cook's test for outliers (SPSS-X User's Guide, 1988, p. 858-9) and correlation analysis. When correlations were run, grade 7 was left out of the "grade" column and row, as it was not necessarily an ordinal measure.

These statistical tests were repeated separately for each of the three dependent variables: one-day, two-week, and 90-day (1987) drop in stock price, in each of the three years studied. The following section shows the results of the correlation analysis, by year, followed by the ANCOVA and Duncan-Wallis results. The succeeding section summarizes the findings and discusses conclusions drawn from the results.

RESULTS

Table 1 shows the results of a correlation analysis run for all dependent and independent variables in the study.

Table 1: Correlation Analysis

1987	GRADE	REPRATE	ONEDAY	TWOWEEK	NDAY
GRADE	1.0000				
REPRATE	.5117**	1.0000			
ONEDAY	.0717	.0260	1.0000		
TWOWEEK	.5487**	.4331**	.0820	1.0000	
NDAY	.1603*	.1851**	.0842	.4104**	1.0000

1989	GRADE	REPRATE	ONEDAY	TWOWEEK
GRADE	1.0000			
REPRATE	.5073**	1.0000		
ONEDAY	.1036	.1054	1.0000	
TWOWEEK	.3707**	.3426**	.3176**	1.0000

1996	GRADE	REPRATE	ONEDAY	TWOWEEK
GRADE	1.0000			
REPRATE	.4593**	1.0000		
ONEDAY	.0368	-.1040*	1.0000	
TWOWEEK	-.1288*	-.0511	.1639**	1.0000

* - Significance LE .05   ** - Significance LE .01   (2-tailed)

The correlation between the S&P rating ("grade") and the reputation according to the Fortune survey (Reprate) ranged between 45.9% to 51.2%. Although statistically significant, a 50% correlation demonstrates that these two variables are not identical and both can and should be included in the ANCOVA model for further analysis.

Example Analysis - Two-Week Drop, 1987

Both the company reputation and the S&P stock grade had a significant relationship with the change in stock price the day before the crash of 1987 and the price two weeks later ($p<.01$). The industry group was also significant at the *p*<.01 level. Those stocks with a better reputation suffered significantly less decline in price, as did those with a better stock grade (see Table 2). The adjusted R^2 was .420.

Table 2: Two-Weeks After 1987 Crash--Analysis of Variance

Dependent variable: two-week % change in stock price

Source of Variation	Sum of Squares	DF	Mean Square	F	Sig of F
Main Effects	1.141	13	.088	16.043	.000
GROUP	.266	6	.044	8.116	.000
GRADE	.168	6	.028	5.112	.000
REPRATE (Covar)	.054	1	.054	9.950	.002
2-Way Interactions					
GROUP GRADE	.217	29	.007	1.365	.110

As hypothesized, the fall in stock price was different by industry group. Below, the Duncan test shows more specifically where differences among categorical variables were.

Table 3: Differences Among Categorical Variables--1987 Two-Week

MULTIPLE RANGE TEST - DUNCAN PROCEDURE

Mean	Industry Group	Group 4	1	5	2	6	3	7	Mean		Grade 2	1	4	3	5	6	7
-.2035	Grp 4, Financial								-.2483	Grade 2							
-.1940	Grp 1, Materials								-.2096	Grade 1							
-.1914	Grp 5, Industrial								-.1942	Grade 4	*						
-.1728	Grp 2, Cyclicals								-.1772	Grade 3	*						
-.1711	Grp 6, Technology								-.1245	Grade 5	*	*	*	*			
-.0758	Grp 3, Noncyclicals	*	*	*	*	*			-.1080	Grade 6	*	*	*	*			
-.0158	Grp 7, Utilities	*	*	*	*	*	*		-.0860	Grade 7	*	*	*	*			

* denotes pairs significantly different at the p<.05 level

This table (Table 3) reveals that industry groups 3 (consumer non-cyclicals) and 7 (utilities) fell significantly less in price than the others. Stocks in Group 4 (financial institutions) fell the most—a resounding 20.3%. As would be expected, S&P grades A+, A, and A- (coded 7, 6, and 5) weathered the crash better than those of lower grades.

Summary of Analysis of Covariance Results

Both Analysis of Covariance (ANCOVA) and, where differences were indicated by ANCOVA, Duncan-Wallis tests were performed on the data. ANCOVA results are summarized in Table 4 below. The "90 day" column is "not applicable" in the 1989 and 1996 analyses because by that time, in the case of both stock market crashes, the market had fully recovered. These results and Duncan-Wallis test results are discussed below.

The ANCOVA results show that group and reputation had a significant effect on the 90-day stock price drop in 1987 (*p*<.05), but financial grade did not. Those stocks with a better reputation suffered significantly less decline in price, as did those with a better stock grade. As hypothesized, the fall in stock price was different by industry group. The price drop after 90 days of noncyclicals was still significantly less than the drop in stock prices of other industry groups (Table 5).

Table 4: Summary of ANCOVA Results
(R^2 Not Adjusted)

Year	ONE DAY (Percent loss)		TWO WEEK		90 DAY	
1987 October	No Significance (22%)		Reputation:	$p<.01$	Reputation:	$p<.05$
			Group:	$p<.01$	Group:	$p<.05$
			Grade:	$p<.01$	Grade:	NS
			R^2 =	.45	R^2 =	.11
1989 October	No Significance (7%)		Reputation:	$p<.05$	Not Applicable	
			Group:	$p<.05$		
			Grade:	$p<.01$		
			R^2 =	.24		
1996 March	Reputation:	$p<.01$	No Significance		Not Applicable	
	Group:	$p<.01$				
	Grade:	NS				
	R^2 =	.16				
	(3%)					

In 1989, as in 1987, both the company reputation and the S&P stock grade had a significant relationship with the change in stock price the day before the market decline of 1989 and the price two weeks later. Those stocks with a better reputation suffered significantly less decline in price (*p*<.05), as did those with a better stock grade (see Table 4). The industry group variable was significant at the .05-level. As before, the fall in stock price was also different by industry group. For the 1989 data set, three companies were eliminated from the analysis because Cook's Distance showed that they were outliers. This was justified on the basis that their extremely large drops in price must have been influenced by factors outside of this analysis. For example, one of them, Federal National Mortgage Association, had a 3-for-1 stock split during the time period under study.

Table 5: Differences Among Categorical Variables--1987 90-day

MULTIPLE RANGE TEST - DUNCAN PROCEDURE

	Industry	Group							Grade
Mean	Group	6	2	4	5	1	7	3	
-.2294	Grp 6, Technology								"No two grades are
-.2259	Grp 2, Cyclicals								significantly
-.2154	Grp 4, Financial								different at the
-.1685	Grp 5, Industrial								p<.05 level"
-.1504	Grp 1, Materials								
-.1248	Grp 7, Utilities								
-.0989	Grp 3, Noncyclicals	*	*	*	*				

* Denotes pairs significantly different at the *p* <. 05 level

The Duncan procedure results (Table 6 below), show significant differences among industry groups as they related to stock price decline. Group 4 (financial) suffered the largest loss, Group 7 (utilities) the least. Companies with a financial grade of A+ (here Grade 7), experienced significantly less stock price decline than those with grades of A- and lower (Grades 6 through 1).

Table 6: Differences Among Categorical Variables--1989 Two Week

MULTIPLE RANGE TEST - DUNCAN PROCEDURE

	Industry	Group									Grade						
Mean	Group	4	1	5	2	6	3	7	Mean	Grade	1	2	3	4	5	6	7
-.1312	Grp 4, Financial								-.1395	Grade 1							
-.0954	Grp 1, Materials	*							-.1167	Grade 2							
-.0925	Grp 5, Industrial	*							-.1009	Grade 3	*						
-.0903	Grp 2, Cyclicals	*							-.0915	Grade 4	*						
-.0766	Grp 6, Technology	*							-.0807	Grade 5	*	*					
-.0653	Grp 3, Noncyclicals	*	*	*					-.0627	Grade 6	*	*	*	*			
-.0366	Grp 7, Utilities	*	*	*	*				-.0472	Grade 7	*	*	*	*	*		

* denotes pairs significantly different at the p<.05 level

One other time period, the one-day 1996 time period, bears discussing. Unlike in 1987 and 1989, both the company reputation and the industry group had a significant relationship with the change in stock price the day immediately following the market decline of 1996. Those stocks with a better reputation suffered significantly less decline in price (seeTable 4). Industry group was significant at the $p<.01$ level; reputation was significant at the $p<.01$ level; financial grade was not significant. In this analysis there were no missing cases. As before, the fall in stock price was also different by industry group. Again, the Duncan test shows more specifically where differences among categorical variables were.

The Duncan procedure (Table 7 below), shows that Industry Group 4 (financial) again suffered the largest stock price decline relative to other groups. Group 1 (basic materials) experienced a significantly lower decline than Groups 4, 2 (consumer cyclical) and 6 (technology).

Table 7: Differences Among Categorical Variables--1996 One Day

MULTIPLE RANGE TEST - DUNCAN PROCEDURE *

Mean	Industry Group	Group 4	2	6	3	7	5	1	Grade
-.0434	Grp 4, Financial								“No two grades are
-.0297	Grp 2, Cyclicals	*							significantly
-.0276	Grp 6, Technology	*							different at the
-.0242	Grp 3, Noncyclicals	*							p<.05 level”
-.0210	Grp 7, Utilities *								
-.0206	Grp 5, Industrial	*	*						
-.0184	Grp 1, Materials	*	*	*					

* denotes pairs significantly different at the p<.05 level

DISCUSSION OF RESULTS

In this section the results of the data analyses are discussed. Each subsection discusses a different Hypothesis or Research Question. The primary set of hypotheses concerned corporate reputation and economic loss subsequent to a crisis. Recalling that economic crisis in this study was operationalized as a one-day stock market decline of at least three percent, these were as follows: Companies with higher reputations will suffer significantly lower stock price declines the day of an economic crisis (H_{1a}); Companies with higher reputations will suffer significantly lower stock price declines two weeks after the initial crisis (H_{1b}); Companies with higher reputations will suffer significantly lower stock price declines 90 days after the market collapse (H_{1c} for 1987 only).

Research Question 1 concerned the relation between corporate reputation and financial rating, and their respective ability to predict loss in times of economic crisis: Are the variables of corporate reputation and corporate financial rating significantly correlated (Q_{1a})? Is there a difference between the relationship of corporate reputation with company stock price decline and corporate financial rating with stock price decline in cases of general and sudden negative economic events (Q_{1b})? Research Question 2 concerned the relation between industry group and stock price drop in times of economic crisis: In cases of general and sudden negative economic events, is there a difference in stock price decline when firms are examined by industry category (Q_2)?

Reputation and Loss

The central focus of this study was the hypothesis that higher corporate reputation would predict lower economic losses in cases of sudden and general economic decline (H_1). Subsequent to three large stock market declines, seven different points in time were analyzed to determine the relationship between firm reputation and stock price loss. For convenience of reference an abridged summary of results table is reproduced below.

As shown by Table 8, the reputation variable was significant in the analysis of covariance model at four out of the seven measurement points. Further, at two weeks after the 1996 decline, the market had fully recovered, meaning that for practical purposes reputation was significant in four out of six points in time in the analysis, the one-day junctures in 1987 and 1989 being the obvious exceptions. Thus in 1987 H_1 was supported at the two-week and 90-day post-crash measuring points, but not at the one-day point (H_{1a}). With exception noted, higher corporate reputation is associated with reduced economic losses in times of economic crisis. This relationship is more consistent than that of corporate financial grade and loss, as discussed below.

Table 8: Condensed Summary of Results, Reputation

Year	ONE DAY (Percent loss)	TWO WEEK	90 DAY
1987	NS (22%)	Reputation: $p<.01$	Reputation: $p<.05$
1989	NS (7%)	Reputation: $p<.05$	N/A
1996	Reputation: $p<.01$ (3%)	NS (0%)	N/A

However, it is not always true. At the close of the day immediately following the severe stock market declines of 1987 and 1989 the reputation variable did not even approach statistical significance. Two weeks after the less precipitous market fall of 1996 reputation also failed to reach significance; however, again, the market had fully recovered. These results suggest that during and immediately after a substantial market decline investors may react irrationally—or at least less rationally than usual. This explanation is bolstered by the fact that no other variable tested in this research achieved significance at one day subsequent to the 1987 and 1989 market declines in any of the statistical analyses conducted. There were no significant Correlations between variables, and in the ANCOVA analysis the industry group variable, significant at every other meaningful measuring point, failed to approach statistical significance by a considerable margin. Likewise the financial grade variable, which was significant at some other points, was statistically insignificant here.

This argument, that the irrational behavior of market investors immediately after a substantial crash precludes patterns of meaning, gains further strength by recalling some of the language employed in contemporary editions of popular media. *Time*, *Newsweek*, and *Business Week*, described the crisis of 1987 with words like "massacre," "historic crash," and "blind panic," and the 1989 decline as a "crash," "nightmare," and (quoting an analyst) "total emotional and psychological chaos." In contrast, the still serious but less panic-inducing 1996 market decline was often referred to simply as a major "selloff."

Furthermore, as *Business Week*, *Time*, and *The Wall Street Journal* report, a major factor behind the speed of the market's descent in 1987 was the almost total computerization of the New York exchange and other markets. A large volume of trades on the day of the 1987 crash was performed automatically by computers programmed to execute trades of large portfolios of stock when prices fell to predetermined trigger points. These programs took decisions out of the hands of brokers, contributing to a scenario where ". . . Wild price fluctuations bore little resemblance to the fundamental value of the venerable industries involved" (Isaacson, 1987). Safeguards were subsequently imposed on the New York and Chicago (Mercantile) exchanges, but in 1989 these automatic trading cutoffs, or "circuit breakers," while slowing the rate of decline, were not fail-safe. In Chicago some traders claimed that futures restrictions prevented the ability of some investors to hedge their losses, "forcing them to dump stocks and exacerbating the selling frenzy in Manhattan" (Greenwald, 1989). By 1996 these idiosyncrasies had been worked out of the system. Thus, at the truly meaningful measurement points in the study (one-day 1996, two-week 1989, and both two-week and 90-day 1987), the reputation variable was significant.

In conclusion, it is logical to presume that in proportion to their positive strengths, reputations do provide a reservoir of goodwill to corporations, and that this quality can serve as a buffer to help reduce environmental uncertainty by insulating companies from loss in times of economic crisis. Further, although by the standards of econometric or market prediction models selecting seven data collection points for analysis is relatively limiting, it is also logical to conclude that there tends to be a pattern of significance over time to the reputation variable which reflects the severity of the economic crisis involved.

Reputation, Financial Grade, and Loss

Standard & Poor's (S&P), the authoritative investment rating corporation, grades common stocks according to per-share earnings and dividends records over a ten year time span, yielding the most respected and widely used corporate stock assessment measure on Wall Street. Grades range from A+ to D, and were incorporated into the present analysis to determine the predictive value of this important indicator in terms of stock price loss during times of economic crisis. Furthermore, this variable was included to help determine if any functional distinction in predictive value could be made between financial grade and corporate reputation. That is, given that three of the eight attributes of the reputation variable are financial in nature, and that a suggestion has been made in the academic literature that *Fortune's* construct suffers from a financial "halo effect," is reputation so defined distinct from purely financial considerations?

Company reputation ratings and Standard & Poor's financial grade were highly correlated in all three years studied. The correlations were greater than .5 in 1987 and 1989, and .45 in 1996, all significant at the $p<.01$ level This is to be expected, as several attributes in the reputation construct were financially based. Yet the two variables do measure different qualities. As pointed out elsewhere, the reputation rating is perceptual, constructed from survey data, whereas the financial grade is based on accounting data. Second, the reputation measure incorporates a number of non-financial attributes.

The financial grade of a company, as rated by Standard & Poor's, was statistically significant in only two of the four (meaningful) time periods measured. Unlike the other two variables however, financial grade was only significant at the two-week point in 1987 and 1989, failing to attain significance at either the 90-day point in 1987, or at the one-day point following the 1996 drop (see Table 4).

The lack of significance of corporate financial grade at times when reputation is significant is remarkable. Standard & Poor's financial grades are closely monitored on Wall Street and widely regarded across the financial community. These financial ratings are based on a number of accounting factors—"hard data"—and reflect the most objective view of the financial soundness of a company available. Reputation, on the other hand, while incorporating several financial attributes and representing the collective opinion of industry experts, is nevertheless based on survey data and therefore essentially perceptual. This is most evident with the five non-financial attributes of reputation—innovativeness; ability to attract, develop and keep talented people; quality of product or services; quality of management; and community and environmental responsibility. These are impressionistic attributes, difficult to quantify. Yet it is clear good corporate reputation is an important variable when considering severity of stock price decline

Industry Group and Loss

Of the dozens of potential accounting, institutional, and market variables that might influence stock price—and therefore economic loss—in times of sudden turmoil, the business in which a firm engages is a fundamental consideration. It is generally understood that some sectors of the economy are simply more volatile that others and therefore more likely to experience more significant damage in instances of sudden market downswings. Utility companies, for example, enjoy more price stability than companies producing consumer goods which experience cyclical demand. This inherent volatility differential was taken into account in this study by categorizing companies into seven industry groups, and incorporating that variable into the analysis of covariance model.

Mirroring the results of reputation, the industry group variable was statistically significant in all cases except the one-day post-crash measurements of 1987 and 1989 (excepting again the meaningless two-week post-1996 crash; see Table 4). This lends further support to the argument that the mass hysteria which can envelope the trading floor the day of a major stock market crash can be sufficient to wash out the influence of all variables. With those exceptions—which exist, it is assumed, for similar reasons as elaborated in the previous section—Research Question 2 is answered affirmatively. In cases of economic crisis there is a difference in stock price decline when examined by industry category.

SUMMARY AND CONCLUSIONS

The primary finding of this study is that good corporate reputation can help to buffer a company against economic loss on occasions of sudden, unanticipated stock market decline—categorized as a nonviolent, unintentional crisis. It is suggested that the general mechanism by which this phenomenon occurs is the process of uncertainty reduction within the context of resource dependence theory. One means by which corporations can reduce the uncertainty of a competitive and potentially hostile environment is by cultivating a 'reservoir of goodwill'—an abstraction often employed in both the organizational communication and public relations literature, but not empirically tested. This reserve of positive reputation could act in a preventative, proactive capacity in a similar fashion to the inoculation effects of issue/advocacy advertising, a phenomenon for which some empirical evidence does exist. Unlike issue advertising, however, which is based on specific issues and involves refutational preemption of a threat, reputation is a general construct which does not involve specific preemption and can protect the organization against loss in times of crisis. Reputation is the vessel in which 'goodwill' is accumulated.

By statistically comparing Standard & Poor's financial grade with the *Fortune* gauge of reputation across several hundred companies in three recent years, this study has contributed to the understanding of the relationship between these two measures of corporate well-being. The former measure is based on objective accounting data, the latter, reputation, based on survey data. The reputation construct consists of a number of attributes independent of financial consideration. As was shown, these measures are very significantly correlated at about the .5 level. This finding supports the argument that, while both measures are indicators of corporate fundamental condition, they are different constructs. It may be, as has been suggested in some of the literature, that the financial condition of a company is so central to all else that it taints measures of broader concern like reputation. But the correlation statistic indicates that the overlap is not excessive. This argument is further buttressed by the finding that at two different points in the analysis, 90 days after the stock market crash of 1987 and immediately after the decline of 1996, reputation proved to be a significant predictor of lower corporate loss, whereas financial grade was not significant. Results confirmed the presumption that type of industry, as a categorical variable, would have a significant effect on the extent to which a negative economic event influenced stock price decline.

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RETHINKING THE COMMUNICATION OF EMPLOYMENT-AT-WILL: WHAT TO DO?

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ABSTRACT

To protect themselves from litigation resulting from employee claims of wrongful discharge, up to 60% of employers in the United States have incorporated into their application forms and other employment materials strongly-worded employment-at-will disclaimers. Potential employees may perceive these statements as offensive or threatening. Companies may need to rethink their policy of using strongly worded employment-at-will disclaimers especially in tight labor markets.

This article seeks to provide guidance that will lead to better informed decisions in evaluating one's employment-at-will philosophy and practices. The current status and legal considerations of employment-at-will are discussed. Survey results (conducted by the authors) of potential job applicants reactions to at-will statements are reported. Factors to consider when using at-will disclaimers, such as the language, prominence, and placement, are presented. Finally, possible alternatives to the direct communication of at-will are offered.

INTRODUCTION

Organizations are currently facing a staffing drought, unlike any that has been seen in recent years. Unemployment rates have fallen, and the numbers of newly created jobs and wage rates have increased while fewer people are entering the job market. The confluence of these trends requires an increased vigilance in the process of attracting and recruiting potential employees by organizations (Saltzman, 1997).

The attraction and retention of the best and brightest workers require organizations to develop and use effective recruiting materials when communicating with prospective employees. However, to protect themselves from litigation resulting from employee claims of wrongful discharge, up to 60% of employers in the United States have incorporated into their application forms and other employment materials strongly worded employment-at-will disclaimers (Figure 1).

Potential employees may perceive these statements as offensive or threatening. By using language designed to afford post-employment legal protection, businesses have risked offending, and in some cases, discouraging the very applicants they want most to attract. Companies may need to rethink their policy of using strongly worded employment-at-will disclaimers especially in tight labor markets. Relatively little research has examined applicants' reactions to selection procedures and several authors (Schwoerer & Rosen, 1989; Wayland, Clay, & Payne, 1993) have called for more research on applicant attitudes about selection methods and practices.

This article seeks to provide guidance that will lead to better informed decisions in evaluating one's employment-at-will philosophy and practices. To do so, we will first review the current status and legal considerations surrounding employment-at-will. We examine the reactions, perceptions and evaluations of potential applicants to the communication of employment-at-will disclaimers. Factors to consider when using at-will disclaimers, such as the language, prominence, and placement, are presented. Finally, possible alternatives to the direct communication of at-will are offered.

Employment-at-will generally is defined as the right of the employer to terminate an employee without giving a reason and the right of an employee to resign when he or she wants. Some 78% of American private-sector employment relationships are said to be "at the will" of the employer (Summers, 1996). To protect themselves from litigation resulting from employee claims of wrongful discharge and to communicate their "at-will" status, employers in the United States have incorporated into their application forms and other employment materials strongly worded employment-at-will disclaimers.

Recruiters, human resource managers and executives not only acknowledge the current scarcity of skilled workers, but also predict that the situation will intensify in the next three years. This tightening of the labor market encompasses a wide range of workers: those with a technical background or MBA; constructions tradesmen such as electricians, carpenters, pipe fitters; and, secretaries. And, these shortages are being translated into higher wages. In May 1997, hourly wages, as reported by the Labor Department, were up 3.8 percent from the year earlier (Schlesinger, 1997). Other reports indicate that significantly larger increases are being given. Even hourly workers with minimal skills can find positions that offer signing bonuses, flexible hours, and opportunities to advance. Some manufacturers are so strapped for workers that they are reducing hours, but not pay -- effectively increasing the hourly wage -- to attract the people they need. (Saltzman, 1997)

The phenomena of higher pay and tighter labor markets should lead to more intensive managerial attention to the recruitment and selection of employees who are loyal, motivated, and contributors of the extra effort needed to counterbalance the resultant squeeze on profits. Given that the labor shortage is not just a temporary blip in the nation's employment picture, companies may need to rethink the strategies they use to find and keep good people. In a competitive labor market, recruitment is the first line of defense (Caudron, 1996). While possibly appropriate under loose labor market conditions, the use of strongly worded employment at will disclaimers may be a chink in this defense when labor is tight. This is especially true given the decreasing support of these statements by the courts.

Until the advent of unionism in the early 1920s, employment-at-will was an assumed, absolute management right under U.S. laissez-faire practices and upheld by a 1908 U.S. Supreme Court decision *(Adair v. U.S., 208* U.S. 161). However, with organization of unions and negotiation of contracts providing members immunity from dismissal for other-than cause, and with enactment of the Wagner Act (1935), union members gained the first statutory exceptions from the at-will doctrine. Over the next 30 years, federal and state governments enacted laws providing additional protection from at-will terminations to employees or applicants affected by violation of minimum wage and overtime provisions of the Fair Labor Standards Act (1938), violation of workers compensation or safety law provisions providing for employee claims or complaints, and imposition of pre-employment lie detector tests. With passage of Title VII of the Civil Right Act of 1964, an additional group of protected classes gained protection from at-will dismissal for reasons other than cause.

The results of these acts was that perhaps 30% of the U.S. employee population was protected from dismissal for reasons often perceived as capricious or malicious. In the 1970s state courts began expanding the notion of exceptions to include employees whose terminations violated public policy, employees refusing to commit unlawful acts, employees exercising a statutory right or privilege, those reporting statutory violations and members of protected classes other than those identified in Title VII (Buckley & Weitzel, 1988; Flynn, 1996; Saul, 1984).

With so many individuals having rights to protection from dismissal for reasons other than cause, many others came to view their own relationships with their employers as contractual although not expressly defined as such and began to sue. Courts in the 1970s began to make large awards to plaintiffs who contended general language contained in employee handbooks, recruiting advertisements, and other employment literature supported their contention that they were hired as permanent employees and were immune from summary termination. And, application forms have been recognized as evidence of a contractual obligation and have been held to create a legitimate expectation of benefits on the part of the employee in a number of jurisdictions (Jennings, 1988). Sympathetic juries who also lacked employment protection sometimes inflated awards to “teach management a lesson” about fairness and equity.

The climate worsened for business in the 1980s, with courts viewing implied contracts, oral assurances, evidence of employee promotions, and other subjective material as evidence of management’s intent to retain the employee. Since that time, courts have consistently acted to protect employees where written or implied employment guarantees could be found. In many cases, courts have rendered judgments in favor of employees by refusing to recognize the employer’s right to terminate under the employment-at-will doctrine (Bockanic & Forbes, 1986). According to Vedder and Gallaway (1995, p.8), “During the 1980s, 32 states modified their view of the dismissal decision in the direction of accepting a more expansive interpretation of the constraints on the employment-at-will principle.” Also, even when the employer won in court, there were still court costs, attorney’s fees, lost work time, tarnished public image, and damaged employee morale (Keppler, 1990).

While courts have held employers to terms of contracts providing employee protection from at-will provisions, courts have also been adamant that employers enter into such contracts freely and have the right to refrain from making any promises to employees concerning how a termination will be conducted or under what conditions employees may be fired. Generally, courts have upheld discharges due to business requirements or poor employee performance (Buckley & Weitzel, 1988; Paul & Townsend, 1993). Courts have been less inclined to sustain managerial practices in cases where malicious intent or bad faith or retaliation could be demonstrated (Keppler, 1990). In any case, where the employer promises or implies job security in such contracts or other employment documents or communications, he or she is bound by that promise. The cautious position, given the statutes and court decision variations from state to state, would be to assume that at-will employees may have at least limited rights to job security (Manley, 1988).

So, with tightening labor markets and limited court support of employment at will, the case is building against such statements. What do the job applicants say about employment at will usage? The following survey results focus on their reactions.

METHOD

Participants in this study were 222 undergraduate seniors and master level graduate students enrolled in the College of Business at two Southeastern universities. These participants were especially appropriate since most were expecting to graduate and be job interviewing within the next year. The sample consisted of 112 females (50.5%) and 110 males; one hundred sixty-eight (75.7%) were Caucasian, one hundred thirty-four (60.4%) were single, one hundred sixty-eight (75.7%) were employed, and 153 (68.9%) were 23 or over.

Anonymous survey questionnaires were distributed in a classroom setting to obtain participant reactions to a typical employment-at-will statement which had been extracted from the employment application of an actual organization. The participants were told to assume that they were applying for a position, and the application form they were asked to complete and sign contained the following employment-at-will statement:

> I understand that this employment application is not a contract of employment. I also understand that if I am hired by XYZ Corp., my employment and compensation may be terminated with or without cause and with or without notice at the option of XYZ Corp. or myself. I understand that no manager or representative of XYZ Corp., other than the President, has the authority to enter into any employment agreement, expressed or implied, for any specified period of time.

Participants read the employment-at-will statement and completed a questionnaire assessing their attitudes towards the statement.

Respondents attitudes and judgments concerning the above "At-Will" statement in an employment contract and the company utilizing such a statement were assessed using 18 survey items. The reaction to the nine "At-Will" statement items are reported. Response options, using a six-point Likert scale, ranged from "strongly agree" to "strongly disagree". (See Appendix A).

RESULTS

The survey reveals significant resistance confusion to the strongly worded "At-Will" statement. A majority of the respondents (68.5%) indicate that they would resent having to sign the statement. Most of the respondents (80.6%) think that the inclusion of this statement suggests a lack of "real caring" for employees on the part of the company. And, a significant portion of the respondents (39%) believe the inclusion of the "At-Will" statements in application forms and employment materials is not legal. So, it is not surprising to find that 64.9% would want more money from a company using the statement.

A substantial number (86.9%) said that they would rather work for a company that did not require signing the statement. 70.3% felt that a long-term relationship was unlikely with a firm requiring the signing of the "At-Will" statement. An even larger segment (73.9%) of the respondents indicated that the statement could influence them to have pro-union sentiments. This influence toward unionization is even more compelling given that most (73.4%) of the respondents report having no familial union affiliations. A significant majority (77.9%) felt that both morale would be low and turnover would be high (76.6%) at a company using employment-at-will disclaimers. Finally, over three fourths of the respondents (77%) feel that they would be signing away their rights if they had to sign the statement.

Table 1 reports the means, standard deviations, and correlations among all the variables. Several demographic variables were examined for possible differences in resistance levels. None were found for gender, race, marital status, employment status or work experience.

TABLE 1
Reactions to Employment-At-Will Statement in Contracts
Means, Standard Deviations, and Correlations of All Variables

Variable[b,c]	Mean	s.d.	1	2	3	4	5	6	7	8
Legal to require signing	3.22	1.60								
Used by caring company[d]	2.41	1.19	-.39***							
Would resent signing	2.86	1.52	-.31***	.38***						
Have to pay me more	2.94	1.48	-.27***	.32***	.41***					
Prefer company w/o statement	2.07	1.25	-.20**	.37***	.44***	.42***				
Long employment unlikely	2.77	1.47	-.31***	.45***	.41***	.55***	.50***			
Would push me to union	2.73	1.39	-.18**	.28***	.35***	.45***	.36***	.51***		
Feel like losing rights	2.55	1.37	-.34***	.42***	.51***	.50***	.57***	.66***	.50***	
Would want more information	1.49	0.69	-.07	.18**	.10	.06	.11	.07	.20**	.17**

[a] N = 222 for all variables
[b] All items measured on a six-point scale with response options ranging from Strongly agree to Strongly disagree
[c] See Appendix A for complete question wording
[d] Item was reverse-coded
* p<.05
** p<.01
***p<.001

DISCUSSION

Based upon this survey's results, potential job applicants appear highly resistant to strongly worded employment-at-will statements and apprehensive about companies that utilize such statements. The results also indicate that the respondents feel that signing an at-will statement would be tantamount to signing away one's rights. The most chilling reaction of respondents is that almost 75% believe that employment-at-will statements could influence them to have pro-union sentiments. The benefits afforded by stating managerial prerogatives under at-will protection could certainly be diluted or negated by having a work force receptive to unionization.

Managers are faced with the decision of communicating strongly worded employment-at-will or choosing a softer worded, indirect approach. A manager is faced with a judgment call between maximizing legal protection and presenting the corporate culture as one that is stiff, legalistic, and mistrustful. Careful consideration of the implications leads one to weigh the advantages and disadvantages of such policies in legal, social, and ethical ways. The use of strongly worded employment-at-will statements follows a legalistic solution which includes using a clear and conspicuous written disclaimer, making no promises about any future with the firm, and requiring a signature acknowledging the at-will waiver (Bockanic & Forbes, 1986; Keppler, 1990).

FIGURE 1

Strongly-Worded Employment-at Will Statements

In consideration of my employment, I agree to conform to the rules and regulations of Sears, Roebuck and Co., and my employment and compensation can be terminated with or without cause, and with or without notice, at any time, at the option of either the Company or myself. I understand that no unit manager or representative of Sears, Roebuck and Co. other than an Officer of the Company, has any authority to enter into any agreement for employment for any specified period of time, or to make any agreement contrary to the foregoing."

I understand that nothing contained in this employment application or interview, and no UHC policies, procedures, correspondence, or handbooks that I might receive constitute a contract or promise of employment or employment for any specified period of time. I further understand that, except for the provisions of the Employment Arbitration Policy, no UHC policies, procedures, correspondence, or handbooks establish any specific terms or conditions or employment between myself and UHC. I understand that the employment relationship is "at will," which means that if an employment relationship is established, UHC or I may terminate the employment relationship at any time and for any reason, with or without notice or prior discipline."

If the at-will statement is to be included in the contract, careful consideration needs to be given to how the employer would prefer that the statement be interpreted. One approach toward understanding message interpretation in the organizational context is through applying descriptive categories. Eilon (1968) offers a set of four dimensions for describing all organizational messages: (1) "kind" of message, such as routine vs. special, and time-triggered vs. event-triggered; (2) areas of organizational activity referred to in the content of the message, such as finance or performance evaluations; (3) importance of the message; and (4) "intent and impact" of the message, such as to encourage or rebuke. The means of constructing the at-will clause in an employment contract will directly affect the message's categorization and subsequent interpretation.

Eilon's (1968) dimensions provide the framework for emphasizing at-will (special and important) to de-emphasizing (routine and unimportant). Which path should a company use? The emphasizing approach calls for a "clear and prominent" strongly worded disclaimer of the at-will issue as a means of protecting and reducing the company from the number of risks brought on by employee termination (Hilgert, 1991; Nye, 1988; Panaro, 1988; Witt & Goldman, 1988).

If the decision is to de-emphasize the message, then the approach would be inductive, as a type of "bad news", or at least something the applicant will not react to favorably. The goal would be to establish the at-will clause as routine, unimportant, and mutually beneficial. Advice for "pitching" the clause as routine and unimportant includes placing the statement inside a paragraph with other statements versus on its own. Furthermore, it should appear neither first nor last in the paragraph: "Just another tidbit that you might need to know" (Lehman, Himstreet, & Baty; 1996). The mutually beneficial element to the message ("at the option of the prospective employer or myself") helps redirect the intent of the message. The applicant is not just agreeing to accept discharge from the company without notice or cause, but he/she is protecting his/her right to "pack-up" and leave anytime he/she wants. (See Figure 2)

FIGURE 2
Softly-Worded Employment-at-Will Statements

In life there are no guarantees, and so it is in business. A relationship that either you or I could terminate or dissolve at any time.

I understand and agree that my acceptance of employment does not create a contractual obligation upon the company to continue my employment in the future.

I understand that a acceptance of an offer of employment does not create a contractual obligation upon the employer to continue to employ me in the future.

If any employment relationship is established, I also understand that I retain the right to terminate my employment at any time and that IBP retains a similar right.

Further steps to de-emphasize the statement might include modifying the text of the at-will statement in the employment application to indicate the employee will be treated fairly and with due process, thereby softening perceptions that at-will termination rights provide management the basis for capricious and arbitrary actions. A caveat: this indirect approach may dilute the legal protection intended (Witt & Goldman, 1988).

According to Parks and Schmedemann (1994), the more overt, explicit and verifiable the promise of employment implied in an employee handbook or policy, the stronger the employee (and court) belief in existence of a contract between the employee and employer. To create ambiguity lending itself to interpretation that language in a handbook is not contractual in nature, management should avoid very specific and precise wording that enhances perceptions that a contract exists; include "conflicting cues" such as clear, blunt disclaimers like "this is not a contract;" legalistic language connoting contract language; specific verbs used to convey actions intended by management in favor of passive verbs yielding to imprecise interpretation; and other appearances of contractual obligation by deleting signatory blocks buttressing the perception of a psychological contractual obligation.

SUMMARY AND CONCLUSIONS

The suggestions in this article are designed to assist managers in evaluating their employment-at-will philosophy and practice; they are not intended as specific legal advice. Consultation should be made with lawyers who are knowledgeable in the area of employee-employer relations concerning the application of these ideas. However, it is important to remember that lawyers and recruiters have different priorities.

In summary, many firms believe that they can protect their employment-at-will rights by using appropriate language, application materials, and other company communications while ignoring the issue of applicant perceptions of such literature. From the current study, it appears that strongly worded employment-at-will statements possibly inflict significant damage on a company's ability to attract sufficient qualified applicants who will be committed and loyal to the company. If choosing to protect employment-at-will rights is the option, softly worded statements or an indirect approach could be the avenue to follow. Regardless of which avenue a company chooses, it is wise to note that choosing your work force carefully and then employing good human resource practices can go a long way in attracting, motivating, and retaining productive employees with a minimum risk of litigation.

APPENDIX A: Survey Items

Six point Likert Scale. Response options ranged from Strongly Agree to Strongly Disagree.

1. It is legal for a company to require applicants to sign the above statement.
2. A company using the above statement would really care for its employees. **(Reverse-coded)**
3. I would resent having to sign the above statement to get a job.
4. A company using the above statement would have to pay me a higher than average salary if I worked there.
5. I would rather work for a company which did not require me to sign the above statement.
6. A long-term employment relationship would be unlikely with a company requiring me to sign the above statement.
7. The above statement could influence me to have pro-union sentiments.
8. I feel that I would be signing away my rights if I had to sign above statement.
9. When applying for a job, I would like to know about a company's policies regarding termination and expectations of long-term employment.

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