Volume 11, Number 1 **Printed ISSN: 1544-1458**
PDF ISSN: 1939-6104

ACADEMY OF STRATEGIC MANAGEMENT JOURNAL

Arifin Angriawan, Co-Editor
Purdue University, Calumet

Casimir Barczyk, Co-Editor
Purdue University, Calumet

Kasia Firlej, Associate Editor
Purdue University Calumet

The *Academy of Strategic Management Journal* is owned and published by the DreamCatchers Group, LLC. Editorial Content is controlled by the Allied Academies, a non-profit association of scholars, whose purpose is to support and encourage research and the sharing and exchange of ideas and insights throughout the world.

Authors execute a publication permission agreement and assume all liabilities. Neither the DreamCatchers Group nor Allied Academies is responsible for the content of the individual manuscripts. Any omissions or errors are the sole responsibility of the authors. The Editorial Board is responsible for the selection of manuscripts for publication from among those submitted for consideration. The Publishers accept final manuscripts in digital form and make adjustments solely for the purposes of pagination and organization.

The *Academy of Strategic Management Journal* is owned and published by the DreamCatchers Group, LLC, PO Box 1708, Arden, NC 28704, USA. Those interested in communicating with the *Journal,* should contact the Executive Director of the Allied Academies at info@.alliedacademies.org.

EDITORIAL REVIEW BOARD

EDITORIAL REVIEW BOARD

TABLE OF CONTENTS

LETTER FROM THE EDITOR

Welcome to the *Academy of Strategic Management Journal*. The *Journal* is owned and published by the DreamCatchers Group, LLC. The Editorial Board and the Editors are appointed by 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 editorial mission of the *Journal* is to advance the field of strategic management. To that end, the journal publishes theoretical and empirical manuscripts pertaining to the discipline.

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

Our editorial review policy maintains that all reviewers will be supportive rather than destructive, helpful versus obtrusive, mentoring instead of discouraging. We welcome different points of view, and encourage authors to take risks with their research endeavors.

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 at www.alliedacademies.org and know that we welcome hearing from you at any time.

Arifin Angriawan, Co-Editor

Casimir Barczyk, Co-Editor

Kasia Firlej, Associate Editor

Purdue University Calumet

CONFLICT REDUCTION IN ORGANIZATION DESIGN: BUDGETING AND ACCOUNTING CONTROL SYSTEMS

Nelson U. Alino, Quinnipiac University
Gary P. Schneider, Quinnipiac University

ABSTRACT

This paper presents a synthesis of ideas from the management accounting literature and the organization design literature. Specifically, it proposes that budgets and control systems implemented as part of the management accounting structure of an organization can reduce conflict in decision making by small groups. The paper outlines a research strategy and suggests operational variables that might be used in this type of research.

INTRODUCTION

Existing research on group decision making behavior defines conflict as disagreement about decisions or differences in viewpoints, ideas, and opinions (see, for example, Simons and Peterson 2000; Jehn 1995). Although some conflict can certainly be helpful, it can lead to process losses and inferior outcomes. These negative outcomes, such as lower levels of group member satisfaction with the process and poor decision quality have been found in multiple studies (see, for example, De Dreu and Weingart 2003; Jehn 1995; Lau and Murnighan 1998; 2005; and van Knippenberg et al. 2004). Thus, it becomes useful to identify organizational designs that can minimize these negative outcomes by minimizing the negative effects of conflict on group decision making processes. The research program outlined in this paper is directed at such identification.

ORGANIZATIONAL STRUCTURE AND DECISION-MAKING GROUPS

Organizations often form decision-making groups that draw persons with a wide range of experience and expertise to help the organization achieve specific strategic objectives (Cohen and Bailey 1997; van Knippenberg et al. 2004). Some researchers have argued that group heterogeneity is more advantageous for complex decision-making tasks than homogeneous groups or individuals (Harrison et al. 2002; Jackson et al. 2003; Lau and Murnighan 2005; Naranjo-Gil and Hartmann 2007; Williams and O'Reilly 1998). When people from different backgrounds come together in a heterogeneous group, they tend to be attracted to those who appear to be most like themselves (Byrne 1971). The things members tend to notice when they first encounter each other are superficial and obvious attributes such as gender, nationality, ethnicity, and profession. Later, members find similarities and differences related to deeper characteristics such as ideologies and backgrounds, function, and educational background.

One could argue that heterogeneity should help in problem solving and decision making through the collaborative exchange of knowledge and ideas across individuals having different backgrounds and expertise. Existing research in psychology and management, however, shows that heterogeneity often has negative effects on group decision processes and outcomes because intra-group conflicts interfere with the smooth functioning of the group (Ancona and Caldwell 1992; Jehn 1995; Lau and Murnighan 1998; 2005; Thatcher et al. 2003; van Knippenberg and Schippers 2007; Williams and O'Reilly 1998).

Andersen et al. (2002), who examined the performance of activity-based costing teams in the automotive industry, found that "as team heterogeneity increases, the team's ability to resolve conflict decreases" (198). Thus, researchers have concluded that heterogeneity in groups is a key concern (van Knippenberg et al. 2004) because it can have both positive and negative consequences for decision-making groups (Lau and Murnighan 1998; 2005; Thatcher et al. 2003; van Knippenberg and Schippers 2007; Williams and O'Reilly 1998). One explanation for the mixed effects is the effect of group heterogeneity on group conflict.

TYPES OF CONFLICT IN GROUP DECISION MAKING

Conflict arises in groups because of incompatible or discrepant views between group members (Jehn & Bendersky 2003). Two types of conflict that have received attention in past research are task conflict and relationship conflict (Jehn 1995; O'Reilly et al. 1998). Task conflict relates to task issues such as goal clarification. Relationship conflict refers to conflict about interpersonal issues. Simmons and Peterson (2000, 102) define task or cognitive conflict as involving "differences in viewpoints, ideas, and opinions," and contrast relationship or emotional conflict as involving "tension, annoyance, and animosity among group members."

Although some researchers find task conflict to improve group decision-making outcomes, other researchers find it to be detrimental to those outcomes (for a comprehensive review, see De Dreu & Weingart 2003). On the one hand, research suggests that task conflict can promote information sharing, which can improve individual understanding of the task. On the other hand, research suggests that task conflict may distract members from the task, thus creating dissatisfaction and lack of consensus on decision outcomes. Research shows that one potential reason for the negative effects of task conflict is its high correlation with relationship conflict (De Dreu & Weingart, 2003). De Dreu & Weingart (2003) found that relationship conflict negatively affects team outcomes.

Similarly, Cronin and Bezrukova (2006) found that relationship conflict was positively associated with negative emotions and irritation, two types of affect that can, in turn, reduce group members' ability to process information. In a study of the effect of demographic diversity on group performance, O'Reilly et al. (1989) find a very strong correlation ($r = 0.88$) between task and relationship conflict. Thus, they conclude that task conflict and relationship conflict are often indistinguishable from each other. Consistent with the findings of O'Reilly et al. (1989) and De Dreu and Weingart (2003), this paper concludes that a single dimension perspective on the study of conflict is most advisable. The conclusion and recommendation is that any study of this phenomenon use a single measure of conflict that includes both task and relationship conflict.

FAULTLINE THEORY

Since conflict reduces the effectiveness of group decision making processes and outcomes, it becomes useful to identify organizational designs that can minimize these negative outcomes by minimizing the negative effects of conflict on group decision making processes. Faultline theory, as proposed by Lau and Murnighan (1998), provides one theoretical frame that identifies how conflict develops in decision-making groups.

Faultlines are potential dividing lines that, when activated by a trigger, split a single heterogeneous group into two or more homogeneous subgroups (Lau and Murnighan 1998). For example, a group composed of half females and half males might split into two groups along gender lines if an issue of gender inequality enters the group's awareness. In this case, gender would be the faultline and the issue of inequality would be the trigger that activates the faultline. Faultline occurrences can be triggered by demographic characteristics of the group members (such faultlines tend to be distracting and not useful to the formation of group consensus) or they can be triggered by motivational characteristics of the group members, such as organizational affiliation (these faultlines might be useful in motivating position defenses within the group structure, but they are not always useful).

The theoretical argument for the existence of faultlines is consistent with social identity and self-categorization theories (Tajfel and Turner 1986) and similarity-attraction theory (Byrne 1971). Tajfel and Turner (1986) assert that individuals classify themselves and others into social categories based on a limited number of salient attributes, of which demographic characteristics such as gender, tenure, race, and functional background are typical. Furthermore, people classify themselves in this manner to reinforce their ego or personal beliefs. Some researchers argue that the classification of group members by their attributes can negatively affect group processes and outcomes (Jehn 1995; Tajfel and Turner, 1986). The similarity–attraction paradigm (Byrne 1971) postulates that the greater the degree of similarity between two individuals, the greater the attraction will be. People are more easily attracted to people who look and behave as they do. Similarity reinforces one's self-concept while differences call one's self concept into question. Hence, people seek to associate with others who are similar as a means of self-reinforcement. A logical conclusion is that dissimilarity among members of a group may lead to dislike and perceptions of in-group and out-group (Xu and Tuttle 2005). When this happens, faultlines develop within the group that may remain dormant, or become activated depending on the dynamics of the internal and external group environment as explained next.

Prior studies examining the effects of faultlines in groups have shown that heterogeneity alone is necessary but not sufficient for the activation of a faultline (Lau and Murnighan 1998; 2005; Li and Hambrick 2005; Thatcher et al. 2003). They argue that for the overall group to split into subgroups depends on whether the task or context contains faultline-relevant elements that stress the salience of within-subgroup similarities and between-subgroup differences.

When activated, faultlines tend to produce conflict between the subgroups they create (Jehn 1995; Lau and Murnighan 1998; 2005; van Knippenberg et al. 2004). Although substantive disagreement among individuals working together in groups can sometimes lead to higher quality decisions, the conflicts triggered by activated faultlines are usually associated with lower member satisfaction with the decision made and with lower perceived decision quality (Jehn 1995; 1997; Lau and Murnighan 1998; 2005; Rico et al. 2007; Sawyer et al. 2006; van Knippenberg et al. 2007).

The presence of a faultline-relevant task creates a trigger. Once a faultline is triggered it becomes active and the dynamics of decision-making in a group change (Lau and Murnighan 2005; Thatcher et al. 2003). These changes in processes arise because group members self-categorize themselves into similar subgroups that exclude dissimilar members (Byrne 1971; Tajfel and Turner 1986). Such categorization leads to a sense of us-versus-them. In groups with strong faultlines, subgroup identity may dominate the overall group identity and produce high levels of inter-subgroup conflict (Jehn 1995: 1997; O'Reilly et al. 1989).

Similarly, the perception of the others as an out-group caused by the active-faultline may lead to breakdowns in communication (Lau and Murnighan 2005). For example, members of one subgroup may develop negative stereotypes towards members of another subgroup while simultaneously cultivating positive stereotypes to support their own subgroup (Prentice and Miller 2002). In summary, faultline-generated conflict affects group processes and outcomes by accentuating subgroup boundaries, and increasing biases. These processes reduce communication and lead to frustration, discomfort, hostility, and anxiety (Jehn 1995; O'Reilly et al. 1989).

THE ROLE OF BUDGETS AND ACCOUNTING CONTROL SYSTEMS

Lau and Murnighan (1998) suggest that in business decision-making contexts, budget limitations can be an important trigger for faultlines when groups consist of members that work in different (especially competing) business units. The management accounting literature asserts that the purpose of budgets and accounting control systems is to provide information to facilitate managerial decision-making consistent with an organization's strategic goals (Anthony and Govindarajan 2001; Cheng et al. 2003; Chong and Eggleton 2003).

Research shows that budgets and accounting control systems affect the quality of decisions in organizations by providing and organizing information in ways that can facilitate decision making (Sprinkle 2003). For example, effective decision-making in groups requires the identification of the available alternative actions, prediction of the possible consequences of those actions, and then choosing the action that has the most preferred outcome for the organization.

Budgets and accounting control systems can provide information to help identify alternative actions, predict the possible consequences of alternative actions, and choose the most preferred alternative based on perceptions of what outcomes are fair for all parties to the decision. Budgets provide information that helps managers structure the decision task. For example, budgets help decision makers to identify problems and to increase their understanding of the task environment. Budgets and their related variance reporting mechanisms achieve this by rendering certain operational activities and events visible and by framing and directing discussions about potential problems and issues (Ahrens 1997). Accounting control systems provide information that is useful to managers in justifying their decision (that is, they provide information that supports the processes and procedures that form the basis for the decision). Overall, these considerations suggest that budgets and accounting control systems could affect group outcomes in substantial ways.

With respect to decision processes, procedural justice theory (Rawls 1971) asserts that individuals are more likely to be satisfied with outcomes if they perceive that the process by which the outcome is determined is fair and justifiable. One important determinant of procedural justice is transparency (Cutler and Vilhuber 2008; Simon, 2006). Transparency is the extent to which decision makers receive sufficient information to make them aware of how various factors affect all constituents (Simon, 2006). Using procedural justice theory as a framework, Kim and Mauborgne (1993) predicted and found a link between managers' perceptions of procedural fairness and their affective responses to strategic decision processes.

In summary, this paper argues that budgets and accounting control systems can and do provide needed information and a framework that can help groups work through conflict. Because conflict resolution is central to many group processes, extensions of our knowledge about how these accounting systems contribute to decision-making processes in a group context is important (see also Jehn 1995, Sprinkle 2003). Therefore, we propose a research strategy outlined in the next section to begin accomplishing this objective.

RECOMMENDATIONS FOR RESEARCH

Based on the analysis of existing theory and empirical research outlined in earlier sections of this paper, this section provides recommendations for research studies that will fill in the gaps in the collective knowledge about the role of faultlines in organizational conflict and identify any moderating roles played by budgets and accounting control systems. The extant literature suggests that these exist, however, no empirical studies have yet been reported that accomplish these objectives.

Participants in these studies could be undergraduate students, a ready pool of which exist at many universities. Because the dynamic being examined is a basic human trait, undergraduate students would be suitable. The availability of a large pool of potential participants is important, because the unit of study in this type of research is the group, and groups must be composed of a number of participants. To test the effects of budgets and accounting control systems, participants would need a working knowledge of these systems. Such knowledge is normally obtained by business undergraduate students by completing a one- or two-course sequence in introductory accounting. Topics to which these students should have been exposed include budgets, performance measurement systems, cost systems, and variance analysis. These topics are included in virtually all undergraduate courses in management accounting at the principles level. MBA students would be excellent subjects, also. They would have similar levels of knowledge about budgets and accounting control systems. Additionally, MBA students with business experience would likely have experience in group decision-making tasks. In fact, one useful empirical study would be to test the performance of undergraduate students (with no business experience) against the performance of MBA students (with business experience) to determine if there is an experience effect.

Manipulations that could create faultline conditions could include forming groups with gender differences, age differences, or differences in major (for undergraduate student participants). Faultline conditions could also be imposed on the group members by giving them specific roles as members of different departments or business units. Adding an incentive that is paid based on decision outcome could be used to reinforce the feeling of loyalty to one's department. The inclusion of a budget or accounting control system could constitute a manipulated variable itself, or various types of budget or control system could be tested for level of effect in triggering faultline activation. The very existence of a budget constraint could be sufficient to trigger faultline activation, for example.

A variety of dependent variable measures would be suitable for empirical studies of these phenomena. The quality of groups' decisions could be measured using some objective scale. More likely, the dependent variables would be measures of group participants' perceptions about the quality of the resulting decision and about the quality of their experience in the process. Conflict can be measured using the multi-item intra-group conflict scale developed by Jehn (1995). This conflict questionnaire includes items that ask for individual participants' perceptions of the level of disagreement between group members. Individual participant satisfaction with the process can be measured using scales such as Keyton's (1991) global satisfaction indices or adaptations of Wall and Nolan's (1986) satisfaction questionnaires. Procedural justice can be assessed by asking questions about the fairness of the budget and accounting control system and the quality of information provided by them.

SUMMARY AND CONCLUSION

This paper outlines an important area of academic inquiry into how organization design, including elements of the accounting control system, affects the level of conflict that can occur in a group decision-making process and the quality of the outcomes of such a process. It synthesizes ideas from the management accounting literature and the organization design literature. Specifically, it proposes that budgets and control systems implemented as part of the management accounting structure of an organization can reduce conflict in decision making by small groups. The paper concludes with a research strategy and suggests both participants and operational variables that could be used productively in this type of research.

REFERENCES

Ahrens T. (1997). Strategic interventions of management accountants: everyday practice of British and German brewers *The European Accounting Review* 6(4), 557-588

Ancona, D. G., and D. F. Caldwell. (1992). Demography and design: Predictors of new product team performance. *Organization Science* 3, 321-341.

Anderson S. W., J. W. Hesford and S. M. Young. (2002). Factors influencing the performance of activity based costing teams: A field study of ABC model development time in the automobile industry. *Accounting Organizations and Society,* 27, 195-211.

Anthony, R.N., and V. Govindarajan. (2003). *Management Control Systems*, McGraw-Hill, New York.

Byrne, D. (1971). *The Attraction Paradigm*, Academic Press, New York, NY.

Cheng, M., P. Luckett, and A. Schulz. (2003). The effects of cognitive style diversity on decision-making dyads: an empirical analysis in the context of a complex task. *Behavioral Research in Accounting* 15, 39–62.

Chong, V. and I. Eggleton. (2003). The decision-facilitating role of management accounting systems on managerial performance: the influence of locus of control and task uncertainty. *Advances in Accounting* 20, 165–197.

Cohen, S. G. and D. E. Bailey. (1997). What makes teams work? Group effectiveness research from the shop floor to the executive suite. *Journal of Management* 23, 239-290.

Cronin, M.A. and K. Bezrukova (2005). Sweet and sour conflict: Information, aggravation, and their effects on conflict functionality. Presented at the *International Association of Conflict Management*, Montreal.

Cutler J., L. Vilhuber. (2008). Procedural justice criteria in salary determination. *Journal of Managerial Psychology*, 23(6), 713-740.

De Dreu, C. K. W., and L. R. Weingart. (2003). Task versus relationship conflict, team performance, and team member satisfaction: A Meta analysis. *Journal of Applied Psychology* 88, 741-749.

Harrison, D. A., K. H. Price, J. Gavin, and A. Florey. (2002). Time, teams, and task performance: Changing effects of surface and deep level diversity on group functioning. *Academy of Management Journal* 45, 1029-1045.

Jackson, S.E., A. Joshi, and N. L. Erhardt. (2003). Recent research on team and organizational diversity: SWOT analysis and implications. *Journal of Management* 29 (6), 801-830.

Jehn, K.A. (1995). A multimethod examination of the benefits and detriments of intragroup conflict, *Administrative Science Quarterly* 40, 256-82.

Keyton, J. (1991). Evaluating individual group member satisfaction as a situational variable. *Small Group Research* 22(2), 200-219.

Kim, W. C., Mauborgne, R. A. (1993). Procedural justice, attitudes, and subsidiary top management compliance. *Academy of Management Journal*, 36, 502-526.

Lau, D., and J. K. Murnighan. (1998). Demographic diversity and faultlines: The compositional dynamics of organizational groups. *Academy of Management Review* 23(2), 325-340.

Lau, D., and J. K. Murnighan. (2005). Interactions within groups and subgroups: The effects of demographic faultlines. *Academy of Management Journal* 48(4), 645-659.

Li J., and D. C. Hambrick. (2005). Factional groups: A new vantage on demographic faultlines, conflict, and disintegration in work teams. *Academy of Management Journal* 48 (5) 794-813.

MacKinnon, D. P. 2008. *Introduction to Statistical Mediation Analysis (Multivariate Applications Series)* 237-274. New York: Lawrence Erlbaum Associates.

Naranjo-Gil, D., and F. Hartmann. (2007). Management accounting systems, top management team heterogeneity, and strategic change. *Accounting Organizations and Society* 32, 735 – 756.

O'Reilly, C.A. III, D. F. Caldwell, and W. P. Barnett. (1989). Work group demography, social integration, and turnover, *Administrative Science Quarterly* 34, 21-37.

Rawls, J. (1971). *A theory of justice*. Cambridge, MA: Belknap Press of Harvard University Press.

Rico, R., E. Molleman, M. Sanchez-Manzanares, G. S. V. Vegt. (2007). The effects of diversity faultlines and team task autonomy on decision quality and social integration. *Journal of Management*, 33(1), 111-132.

Sawyer, J. E., M. A. Houlette, E. L. Yeagley. (2006). Decision performance and diversity structure: Comparing faultlines in convergent, crosscut, and racially homogeneous groups. Organizational Behavior and Human Decision Processes, 99, 1-15.

Simon, C. (2006). Corporate information transparency: The synthesis of internal and external information streams. *Journal of Management Development*, 25, 1029-1031.

Simons, T. L., & Peterson, R. S. (2000). Task conflict and relationship conflict in top management teams: The pivotal role of intragroup trust. *Journal of Applied Psychology,* 85, 102-011.

Sprinkle, G. B. (2003). Perspectives on experimental research in managerial accounting. *Accounting, Organizations and Society* 28: 287-318.

Tajfel, H., and J. C. Turner. (1986). The social identity theory of intergroup behavior. In S. Worchel and W.G. Austin (Eds.), *Psychology of Intergroup Relations:* 7-24. Chicago, IL: Nelson-Hall.

Thatcher, S.M.B., K.A. Jehn, and E. Zanutto. (2003). Cracks in diversity research: The effects of faultlines on conflict and performance. *Group Decision and Negotiation* 12: 217-241.

Van Knippenberg, D., C. K. W. De Dreu, and A. C. Homan. (2004). Work Group Diversity and Group Performance: An integrative model and research agenda. *Journal of Applied Psychology* 89(6): 1008-1022.

Van Knippenberg, D., and M. C. Schippers. (2007). Work group diversity. *Annual Review of Psychology* 58: 515-541.

Wall, V. D., and L. L. Nolan. (1986). Perceptions of inequity, satisfaction, and conflict in task-oriented groups. *Human Relations* 39: 1033–1052.

Williams, K. Y., and O'Reilly, C. A., III. (1998). Demography and diversity in organizations: A review of 40 years of research. *Research in Organizational Behavior* 20: 77–140.

Xu, Y. and B. Tuttle. (2005). The Role of Social Influences in Using Accounting Performance Information to Evaluate Subordinates: A Causal Attribution Approach. *Behavioral Research In Accounting* 17: 191-210.

TRANSFORMATIONAL LEADERSHIP IN A POSTMODERN WORLD: THE PRESIDENTIAL ELECTION OF BARACK OBAMA

Daryl D. Green, Department of Energy
Gary E. Roberts, Regent University

ABSTRACT

On November 4, 2008, America celebrated a historical event as Barack Obama was elected as the 44th President. This paper examines a historical event by exploring how Trait, Postmodernism, and Transformational Leadership theories provide insight on the election of President Obama and discusses the specific leadership concepts that influenced the electorate to make such a cultural shift in this postmodern era. Contemporary theorists posit the relevancy of Trait Theory in predicting the characteristics of successful leaders and some of these principles can be applied to successful political candidates. This study is significant because it presents an applied theoretical framework for interpreting the 2008 presidential election and the influence of leadership competencies in the postmodern period.

INTRODUCTION

"Always bear in mind that your own resolution to succeed is more important than any other," explained Abraham Lincoln, the 16th President of the United States. Yet, not even Abraham Lincoln could imagine the remarkable 2008 presidential election as it unfolded. It was unpredictable and historical in many ways. This paper examines this important historical event through the lenses provided by Trait, Postmodernism, and Transformational Leadership theories. These approaches provide insight on how the perception of leadership attributes influence voting behavior. Additionally, insight from this investigation may generate insight on leadership perception in other settings including business and the nonprofit sectors. Siegel (2001) suggested that business executives can learn a great deal about leadership by analyzing the campaign management practices of American presidents. Therefore, both researchers and practitioners can benefit from the results of this analysis.

The election was the longest presidential campaign and the most expensive in history (Deutsche Press Agentur, 2008). Additionally, the event marked the first time that two US senators would run against each other. Furthermore, New York Senator Hilary Rodham Clinton was the first serious female presidential candidate, and Senator Barak Obama was the first African American nominated by a major party for president. For the Republican Party, Arizona Senator John McCain had hoped to become the oldest person elected president to a first term in

America. His running mate Alaska Governor Sarah Palin was the first woman vice president candidate for the Republican Party (Green, 2009).

Throughout this historical presidential race, a key question discussed in the media and among experts was whether a multiracial candidate could win. The media continued to remind the public about the significance of race and social class in the presidential election. Some observers argued that Obama may not win because of his racial background (Weisberg, 2008a). Conversely, other observers viewed him as a post-racial candidate (Steele, 2008). Would white citizens vote for a black man in America? Could Obama redraw the electoral map with a new energized segment of the population that included young voters, independents, and minorities? Other opponents mentioned that Obama was too inexperienced, untested, and unready to become the president. Nevertheless, his political savvy, innovative election strategy, and charismatic personality was enough to make him victorious (Green, 2009). On November 4, 2008, Obama became the first African American elected to the US Presidency.

METHOD

This study utilizes the application of leadership theories in analyzing the election of President Obama in 2008. Leadership Theory provides researchers an opportunity to understand the dynamic leader-follower relationships in a cultural framework. Hackman and Johnson framed (2004) the leadership definition in several themes which were (a) the ability to influence others, (b) influence as a group context, and (c) the emphasis on collaboration. Bass and Riggio (2005) argued that leadership is not just about the province of people at the top. In fact, leadership can happen at all levels and by any person. Therefore, leadership involves human (symbolic) communication which modifies the followers' attitudes and behaviors so that the group can meet shared goals and needs. Northouse (2006) further supported Hackman and Johnson's leadership premise. He suggested that there several some commonalties about leadership despite the varying definitions. They include the following: (a) leadership is a process, (b) leadership involves influencing, (c) leadership occurs in a group context, and (d) leadership involves goal attainment. Schmidt (2006) further argued that leadership definitions reflect the viewpoint of an industrial society, and a new era begat a new definition for leadership. Yet, Prewitt (2004) further noted that the current leadership theories are based on modernist assumptions and are out of date with leading postmodern organizations. Nevertheless, this paper defines leadership as a contextual influence that has an impact on subordinates' attitudes and performance through effects on the subordinates' perceptions of their job characteristics (Northouse, 2006). Bass (1990) argued that leadership has a significant bearing on an organization's performance. In fact, most social, political, and cultural movements require an effective leader to sustain any noticeable success. Therefore, leaders have the capacity to influence the values needed in a changing organizational environment (Ferguson, 2003).

This investigation provides exploratory data by utilizing an extensive literary review of over 20 documents including scholarly opinions and practitioner discussions. The documents were selected based upon a review of the popular press and academic literature. Given the contemporary and recent nature of the topic, most of the sources selected are from the popular press. In effect, this is a convenience sample of relevant, timely, and credible sources that enhance and support the scholarly discussion of Trait, Postmodernism, and Transformational theories as applied to the 2008 Presidential election. These sources included practitioners, management consultants, columnists, and political pundits. Collection and critical analysis of secondary data from relevant publications were conducted for the results of the 2008 presidential elections. Various organizational behavior theories were reviewed to identify the related leadership attributes that may influence on political campaigns. The contributions made by well-known leadership researchers such Northouse were investigated.

The primary objective of this review of literature is to increase depth of knowledge in this field in order to make a relevant analysis of each theory. Electronic databases such as ABI/INFORM Global and the Internet were searched using key words ‘leadership,’ ‘presidential elections,’ and ‘postmodernism.’ There was a significant absence of literature related to how various leadership theories can help explain the perceptions of the electorate. Consequently, there is an opportunity to address key research gaps.

2008 PRESIDENTIAL ELECTION

The chronology of how a relatively little known and young politician would become the 44th president is well known. However, Obama’s background was not characteristic of a traditional path to the US Presidency. Obama grew up as the only son of a white mother from Kansas and a black father from Kenya (Asim, 2009). Additionally, Obama’s diverse background and multiracial identity generated confusion regarding his placement in society and made some Americans uncomfortable (Green, 2009). Prior to his election as Senator and his keynote address and the 2004 Democratic National Convention, Obama was relatively unknown Illinois state legislator. The Democratic frontrunner was New York Senator Hillary Rodham Clinton. The vast majority of the pundits and prognosticators predicted a Clinton victory (Belfast Telegraph, 2008). Some analysts posited that Obama was “too black.” Other observers proclaimed that he was just “not black enough.” Todd and Gawiser (2009) argued that Obama transformed the Democratic primary from a bland political race to a clash of two cultural titans, Clinton and Obama. Clinton’s strategists were nervous about Obama’s potential as he was the “darling” of Democratic activists and the blogosphere (Todd & Gawiser, 2009). Unlike the campaigns of his principal rivals, Clinton and McCain, Obama remained on message throughout the campaign with his message of change while his opponents could not disassociate themselves from the political establishment.

The individual state races were more unpredictable as controversial matters continued to surface about the presidential candidates. For Hillary Clinton, it was President Clinton's unscripted comments about Obama (Belfast Telegraph, 2008). For Obama, it was his associations with perceived radicals such as William Ayers or Reverend Jeremiah Wright. Obama took an early lead in Iowa and held his advantage in spite of later losses in Ohio and Pennsylvania. On July 24, 2008, Obama defeated Clinton by sealing the presidential nomination with wins in South Dakota and Montana (Belfast Telegraph, 2008). The race was historic with both Clinton and Obama receiving over 17 million votes during the nomination process. In August of 2008, Senator Barack Obama became the first biracial candidate in United States history to represent a major political party. On the other side of the aisle, McCain secured the Republican presidential nomination. It was obvious to pundits and researcher alike that the growing diversity of the US population would contribute to the outcome of the election. Obama attempted to rewrite conventional wisdom by attacking traditional red states Republican strongholds. Obama sought to electrify young and diverse voters as part of his strategy. For example, the number of Blacks and Hispanic undergraduate students enrolled in colleges and universities nationwide had increased by 32% and 98% respectively over the decades while the number of White students had decreased by 1% (Perna, 2000). The result was positive for Obama given that the college age cohort supported Obama at a much higher rate than older citizens). Additionally, McCain could not overcome the legacy of one of the most unpopular presidents in US history and a faltering economy aggravated by a serious financial systems crisis. On November 4, 2008, Obama was elected the United States president. The results were startling for many political junkies as well as the average voters. Obama won 365 Electoral votes compared to McClain's 173 (46%).

TRAIT THEORY

Many Obama loyalists would propose that President Obama was a "born" leader, thereby subscribing to the direct application of Trait Theory on the presidential election (Berland & Schoen, 2009). As the 2008 presidential election began, there were significant differences between Senator McCain and Senator Obama. Being an ex-Air Force pilot and officer, McCain was known for his 'take charge' style and decisiveness in leading others to consensus. On the contrary, Obama was celebrated as a charismatic leader who sought to build bridges, not "burning" them (Green, 2009). To some observers, leadership is defined by the age old question of nature or nurture, genetics versus learning and culture, "Are leaders born or made?" Trait Theory suggests that humans possess innate qualities that predetermine the identity of an effective leader. Qualities, such as height, intelligence, extroversion, and other noble traits are components of Trait Theory (Northouse, 2006). Therefore, leadership resides in select individuals. Despite its inherent plausibility and anecdotal experience, extensive leadership research in business and other settings confirms that Trait Theory lacks predictive validity

(Gehring, 2007). Yet, this theory is relevant to the discussion of presidential leadership because it identifies the characteristics that followers desire in a leader thereby influencing voting behavior. Both candidates possessed positive and negative leadership qualities that support the application of Trait Theory. However, the question must be posed "Which candidate best benefited from the outward perception of what a leader should look like?"

Physical characteristics are what most individuals first perceive. In this presidential election, some of the physical traits included height, age, and race. The Great Man Theory was largely centered on the premise that leaders possessed special qualities for leadership positions. Cherulnik (1995) acknowledged the possibilities that physical attractiveness and other traits could influence the leadership selection process. This decision making factor is readily viewed in athletics and other activities that require great physical ability. Obama towered over McCain in terms of physical stature. Obama is 6 feet 1 inch while McCain was 5 feet 9 inches (Sargent, 2008). Obama, being tall and lanky, would overshadow a much shorter and frail McCain. In some people's minds, the election was more about optics than policy content and ability. For example, the popular media endorsement of Obama was perceived to be due to his charisma, energy, and youthful nature (Bligh & Kohles, 2009). In fact, presidential debates often emphasized showmanship and how the prospective voters view the candidates from a physical characteristics perspective. Therefore, the style of the debates was a strategic consideration for both candidates. Given that Obama was noticeably taller, two of the three presidential debates in the fall were seated debates, perhaps to neutralize Obama's height advantage (Sargent, 2008).

Furthermore, the role of race in the election was a very problematic factor. There was no consensus on the role of race, with some experts concluding it would have a significant impact (the Bradley effect) (Weisberg, 2008a) while others predicted that Obama's race would aid his candidacy given the guilt, sympathy and compensatory factors for the legacy of racism (CNN, 2008c). Some political strategists observed that Obama's race contributed to more positive media coverage (Journalism.org, 2008b). However, many people felt it was a negative characteristic for Obama given the historical absence of a major black president challenger (Green, 2009).

Would voters vote for him? In the Democratic campaign between Clinton and Obama, the issue of race was more profound. Newsweek columnist Jacob Weisber (2008) argued that race shapes this year's presidential campaign: "…let's be honest: the reason Obama isn't ahead right now is that he trails badly among one group, older white voters. He lags with them for a simple reason: the color of his skin." According to a New York Times/CBS News poll in July, 24% of voters said the country is not ready for a black president (Weisber, 2008). Others thought that Obama's race gave him a superior advantage over other White candidates. Former Democratic vice-presidential nominee Geraldine Ferraro's argued that Obama's treatment in the media was unfair. Clinton had the most experience. Therefore, Obama's lead was borne out of racial preference: "If Obama was a white man, he would not be in this position," she said. "And if he was a woman of any color, he would not be in this position. He happens to be very lucky to be who he is. And the country is caught up in the concept." Consequently, his racial appearance was a political advantage (Younge, 2008). Additionally, age was also a consideration. According to a CNN Exit Poll (16,000 participants) of the presidential election, twice as many of those polled said age was an important factor in their vote as those who indicated race (CNN, 2008a). Specifically, 78% went for Obama to 21% for McCain among voters who thought age was important. However, individuals who said race was an important factor voted 55% to 44% in favor of Obama. However, Obama also was the winner for people who said race was not important (CNN.com, 2008a).

Second, intrinsic character attributes are significant factors in Trait Theory. Both candidates attempted to frame their opponent in a character framework. Feeding on the perceived eloquence of Obama, McCain's strategy was to paint Obama as a celebrity and elitist. Additionally, McCain tried to generate a perception that Obama's articulate speech and his charisma with his followers was devoid of substance. Obama utilized his own methods for framing McCain. Obama attempted to portray McCain as a third term successor to unpopular President Bush. Therefore, Obama tried to tie McCain to the establishment thereby producing "guilt by association" in the minds of postmodern, anti-establishment voters. Research validated the effectiveness of some of the strategies. Prior to the presidential election in November, Fields and Bocarnea (2008) conducted an Internet survey with 687 responses which asked respondents to rate McCain and Obama separately on 30 attributes, using a five-point scale (Fields & Bocarnea, 2008). Each candidate was rated on the same attributes and that these were the four highest factors for each candidate separately versus a pooled assessment. This convenience sample consisted of registered voters who were party affiliated as Republicans (45%), Democrats (24%), and Independents (31%). The sample consisted of equal number of men and women, predominately White, and older with 55% in the 41-60 age group. The online survey included individuals from 47 states and 14 countries outside of the US (Fields & Bocarnea, 2008). The results showed that McCain across all voters was rated highest on the traits of purposeful, decisive, intelligent, and informed while Obama rated highest on charismatic, intelligent, dynamic, and communicative. Additionally, the major difference between the candidates was in the following attributes: charismatic (Obama higher), decisive (McCain higher), dynamic (Obama higher), and trustworthy (McCain higher). Even though this sample was heavily favored toward Republicans, Obama tended to rate higher than McCain on being more motivational, inspiring, charismatic, dynamic, and visionary regardless of party affiliation. Fields and Bocarnea (2008) indicted that prior research demonstrated that leadership perceptions of presidential candidates directly impacted how individuals will vote.

Political strategists seek means to showcase their candidate while highlighting any character flaws in the opposition. The results of the survey are consistent with the hypothesis that voter character perception influence voting behavior. Obama was viewed as the agent of change while McCain was viewed as an extension of the failed Bush Administration and Republican establishment, hence "guilt by association." Given the fact that Obama won every major demographic in the election, Trait Theory seems to have played a role in the outcome of the election.

POSTMODERN EFFECT

The significant demographic changes within the 21st century have made postmodernism a major factor in the 2008 presidential journey. Data clearly indicates that younger generations in the US (Barna Group, 2005) and throughout the developed world (Inglehart, 2000) possess a more postmodern and post-materialist value system. Even though some post-modernists reject the efficacy or validity of social science empirical categorization frameworks, they do provide a good proxy indicator of the possession of a postmodern worldview. For the first time in American history, there are four generations co-existing in the workplace. They are the Greatest Generation (1922-1945), the Baby Boomer (1946-1964), Generation X (1965-1980), and Millennial (1981-2000) groups. According to Hammell (2005), each generation has distinct attributes, behaviors, expectations, and habits. The Greatest Generation (1922-1945) progressed through the hard times of American History. Characterized by its activism, the Baby Boomer Generation is associated with involvement and optimism and a commitment to work within existing organizational structure to achieve goals. Next, Generation X, known for its cynicism, moves through organizations as modern day mavericks; they are mobile, adaptable, and career savvy (Green, 2007). Growing up in the Information Age, the Millennial Generation has a value-based lifestyle; they are diverse, gender neutral, technology savvy, and confident in their abilities. Additionally, Winograd and Hais (2008) maintained that this emerging generation is situated to become a political powerhouse. However, connecting with a postmodern generation presents problems to the traditional politician. American politics are often polarizing, generating and emphasizing political fault lines across issues related to religion, race, gender, ethnicity, and social class. Therefore, finding a common ground is difficult. Thompson (2004) argued that the current cultural climate impedes politicians from discerning a moral center. He further maintained that that this pluralistic stakeholder environment creates significant challenges for leaders who hope to unite people in a shared identity from widely divergent value and belief systems. Therefore, the strategy of least resistance for a presidential candidate is to energize the base and hope to attract a sufficient number of independents with a centrist viewpoint.

Obama's campaign communication methods and message appealed to the Millennial's sense of community involvement. Obama seized the opportunity to connect with his generation and younger voters. The Millennial generation is driven by a new set of values and expectations. Schultz (1992) argued this generation manifests a postmodern world view which challenges the very assumptions of the merits of traditional organizational culture. Keough and Tobin (2001) maintained that postmodernism influences most organizations. Key postmodern traits include challenging authority, attacking conventional wisdom, tolerating ambiguity, accepting diversity, and building constructive reality. Consequently, postmodernists find themselves distrustful of institutions and hard facts. These postmodern premises attack the heart of traditional organizations, thus providing an avenue for organizational conflict between leaders and followers. Therefore, this sets the stage for disagreement between postmodern Generation X and Millennial voters and their older counterparts. Some individuals assert that the value differences between these generations are small. It is true that there are many shared values such as being goal-oriented and confident. However, there are some critical value traits that are divergent. For example, Baby Boomers' leadership style is characterized by an autocratic mentality while Millennials are governed by a democratic approach. These divergent generational leadership traits inspire some followers while inhibiting others. By blending modern and postmodern values in organizations, incongruent and conflictual values are generated (Green, 2007). Therefore, presidential candidates who understand the cultural differences of this postmodern generation will best position themselves to win this campaign. For example, President Obama's inclusiveness regarding the issue of religion was consistent with postmodern assumptions that reject mutually exclusive truth claims. President Obama, though nominally Christian, embraces a more unitarian and pluralistic view of religion based upon his multicultural life experiences with Islam and Christianity. His public pronouncements on religion embrace general references to faith issues with no specific links to established Christian theological or denominational perspectives. His general policy commitments to world peace, a greater degree of international cooperation, higher levels of social justice, enhanced poverty eradication efforts, greater environmental policy emphasis, and the reduction of human misery resonates with the younger postmodern mindset across the political spectrum President Obama explicitly reached out to evangelicals, but also capitalized on the generational schism and the dissatisfaction of younger evangelicals with the traditional religious right's focus on morality based social issues such as abortion and gay rights to the exclusion of a broader array of social justice and environmental policy areas (Broder, 2008).

TRANSFORMATIONAL LEADERSHIP MODEL

As the November of 2008 election approached, voters had grown tired of the same political rhetoric. Leadership theories encompassed this presidential election. Transformational leadership places intrinsic motivation on their followers, thereby creating a massive appeal to supporters. Bass and Riggo (2005) suggested that transformational leadership assist followers to grow and develop into leaders by responding to individual followers' needs, by empowering them, and aligning the goals of the individual followers. During the 2008 presidential election, there were a strong desire for many citizens for change in leadership. America was growing weary fighting multiple wars with no end in sight. The housing market had imploded and the economy was in a shambles. Both President Bush and Congress had achieved some of the lowest approval ratings in history. In the presidential election, there was a cry for change (Asim, 2009). Younger voters desire a leader who inspires and possesses a clear vision. Whereas a bureaucratic leaders works within the framework of the system's best interest, transformational leaders seek to promote the best interest of all stakeholders (see Table 1). Gill, Levine, and Pitt (1998) suggested that the challenges of this new millennium require a paradigm shift in leadership style that is transformational and forward thinking. Historically, transformational leadership made a significant contribution to electing candidates. Transformational leaders attempt to raise the consciousness of followers while facilitating the achievement of lower order needs. Rada (1999) argued that transformational leadership is a dynamic process which engages both the leader and the follower. In contrast to transactional leadership, transformational leadership is not position dependent. Leaders and followers under a transformational leadership model can influence each other. This leadership attribute works well with postmodern citizens. Similar to other leadership theories, Transformational Leadership possesses limitations and weaknesses in relation to postmodern thinking and values. Transformational leaders are social organizational architects that develop and promote unified mission, vision and values. Transformational leaders who possess a clear and compelling vision can impose their views of reality on followers violating the foundational principle of individual and collective knowledge creation autonomy characteristic of the postmodern value system.

At the extreme, the transformational leader can embrace the tactics of manipulation and pseudo participation designed to control behavior (Northouse, 2006). This tactic places transformational leaders in conflict with their postmodern constituents. Schmidt (2006) explained that the postmodern leader should have the following characteristics: (a) adaptable, (b) spiritual-focus, (c) tolerance for ambiguity in life, (d) entrepreneurial in his approach, (e) service-oriented, (f) accountable for action, (g) life-long learners, (h) upgrading performance, and (i) participatory. Burns (2003) further suggested that leaders shape the course of history by transforming their followers. Obama's campaign strategy was constructed for postmodern voters (see Table 1). The Obama team devised a presidential strategy on the following three strategies: (a) increasing voter registration in traditionally underrepresented groups (minorities and youth), (b) assisting 'down ballot' Democrats to win elections, and (c) build a grassroots organization in each state (Trygstad, 2008). Most observers readily acknowledged that Obama had "star power" attracting record crowds to his rallies. As previously stated, Obama was viewed as a transformational figure. Former Secretary of State Colin Powell supported Obama and broke from his Republican Party. "He has both style and substance. I think he is a transformational figure" (Walls & Pitney, 2008). However, this transformational quality was not confined to the United States. Across the globe, individuals were fascinated with Obama's political campaign. During his first official trip abroad, he was greeted by over 200,000 people in Berlin (Zeleny, 2008). Obama represented a different type of leader because his strong, charismatic personality appealed to a postmodern generation seeking change. Additionally, Stagich (2001) argued that leaders manifesting a collaborative spirit possess an advantage in improving performance and motivating individuals in a global community.

Table 1: Obama's Strategy for the 2008 Presidential Campaign	
50 State Strategy	Obama set up office in every state regardless of the likelihood of winning in the state. This strategy enhanced his visibility and prepared the way for greater post-election governance support and understanding
Simple Message	Obama stayed on message with his theme of change congruent with the Postmodern and transformational elements. These include increasing the openness, transparency and responsiveness of government, reducing the influence of lobbyists and promoting genuine bi-partisan consensus consistent with the marketplace of ideas and the absence of a central unifying ideology. For example, Obama appointed several well-known Republicans to key cabinet positions including Robert Gates as Secretary of Defense.
Financial Advantage	The campaign set financial records for any presidential election by raising over $650 million. He was successful at raising funds from a wide-spectrum of the electorate. This fundraising success reflected Obama's charismatic and transformational appeal to varying age, gender and ethnic groups.
Technology Savvy	Obama used modern technologies to connect with voters through the Internet such as Facebook and MySpace. The techno savvy approach was adroitly contrasted with McCain's inability and reluctance to use even the "first generation" electronic communication method of email.
Demographics & Behavioral Analysis	Obama grasped the demographic and behavioral shifts in America and was able to gain strong support from multifaceted groups of voters, especially among young and minority voters. The Obama campaign adroitly identified the value differences and targeted campaign messages according to key age group value differences.
Demographics & Change Agent	Obama was able to position himself as a change agent and overcome the doubts raised by critics concerning his relative lack of administrative and foreign policy experience. Obama's message infused a combination of Messianic and transformational themes and a Kennedy-like amalgam of personal responsibility for growth consistent with postmodernism (make your own reality).

Additionally, McCain could not overcome the legacy of one of the most unpopular presidents in US history in conjunction with a faltering economy aggravated by a financial systems crisis. As already stated, strong support from multifaceted group of voters, especially among young and minority voters, propelled Obama to the White House (CNN.com, 2008b).

DISCUSSION AND IMPLICATIONS

The consequences from the 2008 presidential election are significant and will manifest long lasting effects. Political analysts from across the globe have begun to dissect how the 2008 presidential election was won. When the political contest began, there were two frontrunners in the major political parties, Senator Clinton and former New York Mayor Rudy Giuliani. Both possessed "brand name" recognition and influence within their individual parties. Political pundits and conventional wisdom at the early stages of the 2008 campaign declared them the eventual winners. However, many factors were undermining this assumption. Therefore, the strategy of least resistance for a presidential candidate is to energize the base and hope to attract more independents from outside the party with a centrist viewpoint. In contrast, Obama felt he could change the outcome of the election by appealing to Millennial's sense of community involvement (The American Prospect, 2008).

How did Obama manage to win against the political odds? Obama's strategy was perfectly adapted for this period of time. Lister (2008) argued that Obama was largely untested, inexperienced, and relatively unknown before the 2004 Democratic Convention thereby lending credence to the perception that he was a Washington outsider. Another key element was his superior campaign financing and implementation strategy. With over $650 million for his campaign, Obama dominated the political landscape compared to McCain's federal funds of $85 million (Lister, 2008). Another factor was the favorable media coverage and the skill of the Obama campaign in positioning Obama within the media. According to media research organizations such as the Pew Research Center's Project for Excellence in Others, dominant personal narratives influenced the election campaign. Additionally, Bligh and Kohles (2009) suggested that the role of charismatic attribute and delivery style played an important part in Obama's win. They further argued that political messages are influenced by the messenger and delivery. Obama positioned himself as the candidate of hope and change. Other observers emphasized the role of race in *black pride* and *white guilt*.

However, Younge (2008) maintained that the results of the election affirmed the democratic process rather than the product of an affirmative action artifact or syndrome. In the end, character counted more. Obama was perceived to be a more charismatic and dynamic presidential leader. Obama seized the opportunity to connect with his generation and younger voters. Voters had grown tired of the same political rhetoric. In the presidential election, there was a cry for change. Transformational leaders attempt to raise the consciousness of followers while facilitating the achievement of their needs. This leadership attribute works well with postmodern voters. As already mentioned, Obama was viewed as a transformational figure. This trait influenced some conservatives and many independents to vote for him. Obama's transformational quality was not confined to the United States. Across the globe, individuals were fascinated with Obama's political campaign. Obama represented a different type of leader because his strong, charismatic personality appealed to a postmodern generation seeking change.

As already stated, strong support from a diverse coalition of voters, especially young and minority voters, propelled Obama to the White House (CNN.com, 2008a). The excitement generated by the Obama win was reflected by how House and Senate offices were overwhelmed with requests for inauguration tickets. Obama was sworn in on the steps of the U.S. Capitol and approximately 2 million people were on the Mall at to view inauguration festivities (Nakamura & Wilgoren, 2009). This attendance level was five times as many as attended each of President Bush's two inaugural events and twice as many as President Bill Clinton's inauguration in 1993. Historically, the largest crowd ever recorded (estimated 1.2 million people) was for President Lyndon B. Johnson's 1965 inauguration (Coile, 2008). Looking to the future of his presidency, Obama has already begun his benchmark efforts. From his campaign promises, Obama pledged to be a unifying force under extreme economic and political times. Obama has taken Abraham Lincoln's presidency as the benchmark for his success (Thomas & Wolffe, 2008). Both supporters and critics will also make other presidential comparisons related to his presidency. The following are long term implications for researchers and practitioners as a result of the Obama win:

1. Voter identification with Obama as a representative of change and of today's culture resonated with the postmodern generation. Some experts would argue that Obama was not the first pioneer to use the Internet as a digital connection. In fact, Howard Dean used his online fundraising in the 2004 Democratic presidential race (Cobb, 2008). Yet, the Obama political team used information technology to redefine the election process by interacting with voters in a variety of ways (Greengard, 2009). Obama adroitly used the next generation of internet technology to craft grassroots efforts on Twitter, Facebook, and other social network mediums that clearly connected to Internet savvy and younger voters (Boucq, 2008). The Obama internet strategy will set a standard for future political campaigns. The more multi-faceted media forms and outlets require a diverse and sophisticated understanding of candidate image management. It is risky for candidates to assume the content and delivery of techniques that are effective in television and radio translate to the internet based media.

2. Social factors such as postmodernism tend to influence the behavior of voters. Most presidential candidates who entered the 2008 race did not understand the overarching theme of change. Candidates such as Clinton founded their campaign on experience and stability (Journalism, 2008). Future candidates and researchers must study the short and long term influence of postmodern values on political decisions and attitudes.

3. Candidates will need to more dynamically and proactively shape media coverage. During the 2008 financial crisis, media coverage of McCain grew more negative (Journalism, 2008b). He was viewed as erratic and unpredictable. Yet, McCain stubbornly attempted to portray himself as a political maverick. However, McCain could not separate himself from President Bush in the media. Therefore, many voters viewed him as representing another term of the same failed Bush administration policies. It is critical to study how the media's value orientation shifts over time and how this influences political campaigns.

4. Leadership traits such as height and presidential image played a critical factor in voting outcomes. Obama was able to successfully overcome his perceived inexperience by using the media to project an image of a charismatic and powerful leader and communicator (Journalism, 2008). Ongoing research on the influence of trait theory and its interface with postmodern values and perceptions is an important topic.

5. Transformational leadership is still seen as a valuable commodity to voters. Although transformational leadership has its limitations, it is an attractive trait in motivating followers who are diverse and young (Northouse, 2006). Future research is needed to address the conflicting influence of postmodernism with its greater degree of individualism and the unifying influence of transformational leadership.

Consequently, the 2008 campaign clearly was a generational watershed in relation to leadership approaches, and the long term implications will shape US politics and culture for years to come.

IMPLICATIONS FOR MANAGEMENT AND LEADERSHIP THEORY

The election of 2008 does provide several key lessons for organizational leadership theory and practice in non-electoral based management settings. One of the essential elements in transformational leadership theory is the ability to use symbols and visual images to consistently reinforce key policy and management goals and objectives. The election of President Obama demonstrated how physical appearance, personality, and the use of electronic media can be carefully crafted to reinforce a central theme of change. Transformational organizational leaders demonstrate this same ability when they cultivate a mission, vision and values agenda that recognizes and acknowledges the positive and productive elements of the past while charting a new course for the future. Transformational leaders adopt the principle of multi-method communication campaigns and skillfully blend images using sight, sound and context to influence perceptions related to the possession of key desirable traits such as decisiveness, wisdom, integrity, strength, confidence, empathy and interest.

The postmodern emphasis lends itself to the interface of several leadership theories including servant leadership (Greenleaf, 1977). In a postmodern leadership paradigm, truth is mutually defined in a joint process of discovery. This lends itself to many forms of electronic empowerment including the virtual workplace, self-directed work teams, job enlargement and job enrichment. The transformational leader helps shapes the values, but the implementation of the vision is shared with line employees through various types of delegation strategies noted above. As a complement to the more active forms of organizational leadership implementation strategies noted in the previous sentence, the use of the various types of social media in terms of blogs, wikis, and twitter are means for engaging employees in the process of “mutual discovery” of key organizational truths including “what works” (increases efficiency and effectiveness) in mission achievement and customer satisfaction. In addition, these forms of communication when formally and informally sanctioned and supported, provide means for expressing dissent and suggestions for improvement. Hence, it is another powerful form of voice as reflected in the works of Hirschman (1970) to avoid unwanted exit and other forms dysfunctional disengagement and apathy.

A final leadership theory linkage relates to the use of the media by leaders and managers. Clearly transformational leaders must craft a clear, consistent and compelling narrative that links the past, present and future. Without a lucid association, incumbent employees are likely to perceive that their past contributions and merit are being questioned leading to a loss of dignity and respect. Hence, it reinforces one of the cardinal rules of transformational change that there must be a clear assignment of responsibility for performance problems, but in a fashion that emphasizes the dignity of individuals with the majority of attributional accountability assigned to either the management system (as with Total Quality Management), or to past leadership failures. It is always more convenient to assign responsibility for performance problems to the past administration.

CONCLUSION

"That we are in the midst of crisis is now well understood. Our nation is at war against a far-reaching network of violence and hatred. Our economy is badly weakened, a consequence of greed and irresponsibility on the part of some but also our collective failure to make hard choices and prepare the nation for a new age…Today I say to you that the challenges we face are real, they are serious and they are many. They will not be met easily or in a short span of time. But know this America: They will be met." (CNN.com, 2009)

Obama proclaimed this reality at his record breaking inauguration that transformed the electoral map (CNN.com, 2009). Obama captured majorities among women (56% to 43%), voters under 30 (66% to 32%), Blacks (95% to 4%), Latinos (66% to 32%), Asians (63% to 34%), and first-time voters (68% to 31%), according to CNN Exit Polls. Clearly, voters were looking for a special type of leader during the unsteady days of globalization. The 2008 presidential election will be remembered for its historical significance as Obama became the first of African heritage. This paper argues that Trait Theory and Transformational Leadership help to explain many of the election dynamics as a new generation of voters seek a different type of leader in this postmodern period.

Furthermore, Fields and Bocarnea (2008) noted that the factors of charisma and great political skills have consistently been related to electoral success and contributed to outstanding leadership among US presidents. In order to fix the complicated problems in America, voters deemed it was time for a change in leadership. Consequently, the impact of a postmodern generation responded to Obama as a transformational leader. Political strategists guiding future presidential campaigns must understand the social climate beyond *red and blue states*. Therefore, an understanding of transformational and postmodern leadership theory will prove prudent for future presidential elections as the demographic continue to shift.

REFERENCES

The American Prospect (2008). How do we keep Obama's youth mobilized? Retrieved October 9th, 2009 from http://www.prospect.org/cs/articles?article=how_do_we_keep_obamas_youth_mobilized.

Asim, J. (2009). *What Obama means*, New York: HarperCollins.

Barna Group (2005). Most adults feel accepted by God, but lack a biblical worldview. Retrieved November 27, 2009 from http://www.barna.org/barna-update/article/5-barna-update/174-most-adults-feel-accepted-by-god-but-lack-a-biblical-worldview.

Bass, B. (1999). *Bass & Stogdill's handbook of leadership*. New York: The Free Press.

Bass, B. & Riggio, R. (2005). *Transformation leadership*. USA: Lawrence Erlbaun Associates, Inc.

Belfast Telegraph (2008). Timeline: How Obama became next US president. Retrieved November 19, 2008, fromhttp://www.belfasttelegraph.co.uk/news/world-news/us-election/timeline-how-obama-became-next-us-president-14035548.html.

Berland, M. J., & Schoen, D. (2009). Obama: The natural born leader. Retrieved November 27, 2009, from http://www.huffingtonpost.com/michael-j-berland/obama-the-natural-born-le_b_229603.html.

Bligh, M. & Kohles, J. (2009). The enduring allure of charisma: How Barack Obama won the historical 2008 presidential election. *The Leadership Quarterly*, 483-492.

Boucq, I. (2008). Social media will influence the next presidential campaign. *Atelier*, Retrieved December 23, 2008,from http://www.atelier-us.com/internet-usage/article/social-media-will-influence-the-next-presidential campaign-or-will-they.

Broder, J. C. (2008, July 1). Obama courting evangelicals once loyal to Bush. New York Times, Retrieved October9 2008 from http://www.nytimes.com/2008/07/01/us/politics/01evangelicals.html?_r=1&pagewanted=print.

Burns, J. (2003). *Transforming leadership.* New York: Grove Press.

Cherulnik, P. (1995). Physical appearance, social skills, and performance as a leadership candidate. *Basic and Applied Social Psychology, 16(*3), 287-295.

CNN.com. (2008a).Exit polls: Obama wins big among young, minority voters. Retrieved November 25, 2008, from http://www.cnn.com/2008/POLITICS/11/04/exit.polls/.

CNN.com. (2008b). Obama's election redraws America's electoral divide. Retrieved November 26, 2008, fromhttp://www.cnn.com/2008/POLITICS/11/05/election.president/.

CNN.com (2008c). Obama using 'white guilt' Nadar says. Retrieved November 27, 2009, from http://www.cnn.com/2008/POLITICS/06/25/nader.obama/.

CNN.com (2009). U.S. celebrates as presidential Obama vows new era. Retrieved March 16, 2009, fromhttp://www.cnn.com/2009/POLITICS/01/20/obama.inauguration/index.html.

Cobb, C. (2008). Same game, new rules: a historical presidential campaign– and what means for our digital future. *Public Relations Tactics*, 8-9.

Coiled, Z. (2008). Wanna go to Obama inauguration? Bring money. Retrieved December 5, 2008, from http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/11/14/MN1K143TMB.DTL&type=politics.

Deutsche Press Agentur. (2008). Chronology: US presidential race long, costly. Retrieved November 19, 2008 from http://www.monstersandcritics.com/news/usa/news/article_1440835.php/CHRONOLOGY_US_presidential_race_long_costly.

Fields, D. & Bocarnea, M. (2008). A national survey comparing McCain and Obama as presidential candidates fit to lead the nation. Regent University.

Gehrig, D. (2007). Applying trait theory of leadership to project management. *Project Management Journal*, *38(*1), 46-59.

Gill, R., Levine, N. & Pitt, D. (1998). Leadership and organizations for the new millennium. *The Journal*, *38(*1), 44-55.

Green, D. (2007). Leading in a postmodern workforce. *Academy of Strategic Management Journal, 6*, 15-26.
Green, D. (2009). Benchmarking the presidential election of Barack Obama. *Benchmarking: The International Journal*, 16(6), 754-766.
Greengard, S. (2009), "The first internet president", *Communications of the ACM, 52(*2), 16-18.
Greenleaf, R. K. (1977). *Servant-leadership: A Journey into the Nature of Legitimate Power and Greatness.* New York: Paulist Press.
Hackman, M. & Johnson, C. (2004). *Leadership: A communication perspective*. Long Grove, IL: Waveland Press.
Hammill, G. (2005). Mixing and managing four generations of employees. *FDU Magazine Online*, Retrieved June25, 2008 from http://www.fdu.edu/newspubs/magazine/05ws/generations.htm.
Hirschman, A. O. (1970). *Exit, Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States.*Cambridge, MA: Harvard University Press
Inglehart, R. (2000). Globalization and postmodern values. *The Washington Quarterly*, *23(1)*, 215-228. Retrieved November 27, 2009, from http://www.scribd.com/doc/5185568/Globalization-and-Postmodern-Values.
Journalism.org (2008a). Character and the primaries of 2008. Retrieved December 12, 2008 from http://www.journalism.org/print/11266.
Journalism.org (2008b).Winning the media campaign. Retrieved March 16, 2009 from http://www.journalism.org/node/13307.
Keough, T. &Tobin, B. (2001). Postmodern leadership and the policy lexicon: From theory, proxy to practice. 2001 Pan-Canadian Education Research Agenda Symposium, Teacher Education/Educator Training: Current Trends and Future Decisions.
Lister, R. (2008, November 20). Why John McCain lost. *BBC News*, Retrieved November 25, 2008 from http://news.bbc.co.uk/2/hi/americas/us_elections_2008/7704246.stm.
Nakamura, D. & Wilgoren, D. (2009, January 20). A massive crowd embraces the moment. *The Washington Post*. Northouse, P. (2006). *Leadership theory and practice.* Thousand Oaks, CA: Sage Publications.
Perna, L. (2000). Differences in the decision to attend college among African Americans, Hispanic, and Whites. *The Journal of Higher Education*, *71 (*2), 117-141.
Rada, D. (1999). Transformational leadership and urban renewal. *The Journal of Leadership Studies, 6(*3/4), 18- 33.
Sargent, G. (2008). Obama to lose 'height advantage' at debates with McCain. *TalkingPointsMemo*, Retrieved 11/5/2008 ttp://tpmelectioncentral.talkingpointsmemo.com/2008/06/obama_to_lose_height_advantage.php
Schmidt, H. (2006). Leadership in a postmodern world. Retrieved March 7, 2006, from http://www.mbseminary.edu/current/images/article/schmidt1.htm.
Schultz, M. (1992). Postmodern picture of culture. *Int. Studies of Mgt. & Organization*, *22(*2), 15-35.
Siegel, M. (2001). Lessons in leadership from three American presidents. *The Journal of Leadership Studies*. *8(*1), 35-47.
Stagich, T. (2001). *Collaborative leadership and global transformation*. Miami Beach: Global Leadership Resources.
Thomas, E. & Wolffe, R. (2008, November 16). Obama's Lincoln. *Newsweek*, Retrieved January 23, 2009, from http://www.newsweek.com/id/169170.
Thompson, L. (2004). Moral leadership in a postmodern world. *Journal of Leadership & Organizational Studie*s, *11(*1), 27-38.
Todd, C. & Gawiser, S. (2009). *How Barack Obama won*. New York: Vintage Books.
Trygstad, K. (2008, June 26). Obama's 50 states strategy. *Real Clear Politics*, Retrieved March 16, 2009, from http://www.realclearpolitics.com/articles/2008/06/obamas_50_state_strategy.html.
Walls, S. & Pitney, N. (2008, October 19). Colin Powell endorses Obama. *The Huffington Post*. Retrieved November 26, 2008, from http://www.mcclatchydc.com/100/story/54408.html.
Weisberg, J. (2008a). If Obama loses racism is the only reason McCain might beat him. Retrieved November 27, 2009 from http://www.slate.com/id/2198397/.

Weisberg, J. (2008b). What will the neighbors think? *Newsweek*. Retrieved November 25, 2008, from http://www.newsweek.com/id/155117.

Winograd, M. & Hais, M. (2008), *Millennial makeover,* New Brunswick, NY: Rutgers University Press.

Younge, G. (2008, April 7). Obama, Ferraro, Wright: 'Postracial' meets racism.*The Nation*, Retrieved on November 24, 2008 from http://www.thenation.com/doc/20080407/younge.

Zeleny, J. (2008, July 27). Going for that presidential look, but trying not to overdo it. Retrieved November 26, 2008, from http://www.nytimes.com/2008/07/27/us/politics/27OBAMA.html?ref=todayspaper.

SIX C'S OF CONTINUING CARE RETIREMENT COMMUNITIES (CCRC) LEADERSHIP DEVELOPMENT

Susan Sweem, University of St. Francis
Michael Stowe, University of St. Francis

ABSTRACT

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

INTRODUCTION

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

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

Continuing care retirement communities (CCRCs) are one piece of this healthcare web. CCRCs are typically non-profit organizations that provide living arrangements for various stages of the aging process. This includes options of living in individual apartments, assisted living arrangements or nursing facility beds (Winklevoss & Powell, 1984). The number of CCRCs has continued to grow since the late 1980s and the Commission on Accreditation of Rehabilitation Facilities has indicated that there are approximately 1,100 in existence today in the US ("CARF Commission on Accreditation of Rehabilitation Facilities," 2010). Little research has focused on this niche of healthcare organizations, yet, with the potential explosion of the baby-boomer population moving into CCRCs, leadership will be vital to appropriately grow the industry. The question will be what type of leader should be at the helm of the CCRC and what kind of leadership development is necessary for future transformation and growth?

LITERATURE REVIEW AND BACKGROUND

Literature on leadership in healthcare organizations is extensive but little focuses specifically on CCRCs. Researchers have conducted many studies examining the knowledge, skills and abilities of healthcare executives in hospital settings (Guo, 2002; Hudak, 1994). Glister and Dalessandro (2009) discovered that leaders are key to the culture creation, culture change and organizational success. These align closely with characteristics found in other types of industries as well. Hyatt (1997) identified key components in defining successful assisted living administrators. Similar to CCRCs, assisted living facilities provide care to older adults and are more focused on providing supportive services than independent living yet not as intensive as a nursing facility. Hyatt indicated three dimensions for successfully managing an assisted living facility: 1) organizational skills, 2) communication skills and 3) people skills. Richie and Alperin (1989) also researched the characteristics of successful executive directors in continuing care retirement communities and found that administrators performed a variety of managerial functions that were both healthcare and hospitality related. However, it has been through more recent research that these basic building blocks are transcending leadership in healthcare to a higher level. The unprecedented changes facing healthcare have forced a paradigm shift and reinvention of leadership traits and behavior as a result of organizational changes. Leaders must be prepared to be flexible and shift skill sets to best address the business needs and goals.

The CCRC industry is one area where change is occurring rapidly. Typically, CCRCs were used as the last resort for individuals who could not live on their own (Chung-Herrera, Enz, & Lankau, 2003). This is no longer the situation as CCRCs have now developed into retirement communities that offer services and amenities for residents in all stages of their lives. The business model has changed. Hurley and Brewer (1991) predicted long ago that the CCRC model would move toward "hospitality" service. They concluded from their research with CCRC leaders that interpersonal and organizational skills were the most important skill sets for executives. Interpersonal skills included interaction with residents, negotiation skills and conflict resolution. Organizational skills included time management, leadership, decision-making, delegation and training. It seems logical that with these changes, the skill sets for leadership would also change.

Stefl (2008) describes the common competencies for all healthcare managers. In a study completed through the Healthcare Leadership Alliance (HLA) (M.E. Stefl, 2003), five competency domains were established: 1) communication and relationship management, 2) leadership, 3) professionalism, 4) knowledge of the healthcare environment and 5) business skills and knowledge. The leadership domain anchors the HLA model since it is central to any executive's performance and success. The message that the model provides is clear for all healthcare managers; there is commonality across the board and a cause for collaboration. This could be significant if leadership can be transformed and transpired through all types of healthcare organizations for executive healthcare managers.

In addition, leadership has taken on new challenges with the economic recession and the need to run operations lean and efficient. Are the current leaders optimizing their skill sets for the new business model and what are the most important characteristics? This is a key question as one study conducted by IBM of 1500 CEOs indicated that the most important leadership quality required of leadership today is creativity (Minter, 2010). Leaders must be ready to change the status quo even if it is during difficult economic times.

Another factor that has to be incorporated into the leadership equation is that the current leaders are nearing retirement. In one report sixty-seven percent of 3,572 CEOs in hospitals affiliated with the American College of Healthcare Executives are 50 or older ("Reinventing healthcare leadership," 2008). New leadership will have to emerge with the pending retirements. This will be a similar situation in CCRCs but will also provide an opportunity for further change.

This paper explores the leadership knowledge, skills and abilities that executives of CCRCs need to continue to move the industry forward. It examines what skills current leaders believe are important to be successful and also reviews the data based on demographics such as age, gender and tenure in position. A proposed model for the development of future CCRC leadership is discussed along with the potential link to healthcare organizations in general.

METHODOLOGY

This study examines the knowledge, skills, and abilities of executive directors perceived as being associated with successfully leading a continuing care retirement community. The targeted population was the 347 accredited continuing care retirement communities within the United States.

The study followed Dillman's (2000) research design method for surveys and questionnaires. Dillman's (2000) methodology incorporates a process from instrument design through follow-up calls to ensure that the required sample of participants is included in the study. The population for the research study was 347 accredited continuing care retirement communities located in the United States. The Commission on Accreditation of Rehabilitation

Facilities (CARF) accredits the CCRCs. CARF accreditation indicates that CCRCs have met certain standards in the provision and quality of care.

An expert panel of executives familiar with CCRC executive directors and key leadership skills, reviewed the instrument for comprehensiveness, completeness, grammar, and readability. Additionally, they provided feedback on the data elements to determine both applicability and relevance to the executive directors' necessary skills and knowledge set.

OPERATIONAL DEFINITION OF CONSTRUCTS AND KEY VARIABLES

This research study explored the necessary knowledge, skills, and abilities of continuing care retirement communities. The subjects for this study were collectively referred to as executive directors though their actual position titles vary. The participants for this study had the best perspective on the actual required KSAs for the position and differences in community corporate status, location, and size of community had affect on the identification of the necessary KSAs to successfully manage this type of retirement community. Additionally, all communities in this study were accredited by the Commission on Accreditation of Rehabilitation Facilities (CARF) accredits the CCRCs. CARF accreditation indicated that CCRCs met certain standards in the provision and quality of care.

FINDINGS

Univariate analysis of variance was conducted for the demographic variables of age, gender, ethnicity, education, healthcare management experience, and CCRC experience and for the variable success. For all of these tests the significance level was set at .05.

Return Rates

The return rate from initial contact was 34.5% (n=118). Participants returned 118 valid survey instruments while three participant organization identified their facility as not being a continuing care retirement community and not eligible to participate.

Age

The participants for this study were top executive within each the continuing care retirement communities. Table 1 shows the mean age of the participants (n= 145) was 51.77 years. The participants of this study ranged in age from 26 years to 71 years. Female participants' ages ranged from 26 years to 68 years while male participants ranged from 31 year to 71 years. Female respondents (n=48) had a mean age of 49.60 years and male respondents a mean age of 52.69 year. Several participants (7.6% or n=12) declined to provide a response to this question.

Table 1: Respondent Mean Age and Age Range			
M	SD	Minimum	Maximum
51.77	8.77	26	71

The participants' ages were grouped into three ranges. Grouping of participants were arranged so that approximately equal numbers were represented for the demographic. Table 2 presents the ages by group. The mean age of all participants was 51.77 years. Of the participants 27% (n=41) are above 58 years of age. Of those responding, 12 did not indicate an age in response to this item.

Table 2: Age of Participants by Group	
Age Group	Responses
26-49	51
50-57	56
>58	41
No answer	12
Mean	51.77

Gender and Ethnicity

The participants identified their gender as male, 62.4% (n=98), female, 33.1% (n=52), or No Answer, 4.5%, (n=7). Regarding the ethnicity of this group 91.7% are Caucasian, 1.3% are Asian, 0.6% are Hispanic and Other. Nearly 6% of the participants did not indicate ethnicity.
Education and Years Experience

Table 3 presents the description of the managerial and CCRC experience of the participants. The participants had on average 7.49 years of CCRC management experience in their current position, 21.46 years in healthcare management and 13.67 years of CCRC experience. Few participants (n=13) declined to provide responses to these three items.

Table 3: Management Experience (in years)	
Experience type	M
Healthcare management experience	21.46
CCRC experience	13.67
Current position experience	7.49

In addition to the management experience, participants identified their highest degree obtained. Table 4 presents the level of education and degree types of the participants. The level of education identified from the participants varied from Associate's degree through doctorate degrees. Of those participants providing responses, 6% identified themselves as holding an associate's degree, 7.6% as having a bachelor's degree in a health related field, and 25.5 % obtained a bachelor's degree in a non-healthcare related field. Additionally, 23.6%, identified a master's degree in a healthcare related field, 35% a master's in a non-healthcare related field, and 1.9% and 2.5% identified a doctoral degree in a non-healthcare related field or healthcare related field respectively. Of the valid instruments returned, 3.2% did not respond to this survey item. Participants identified varied educational disciplines that included nursing, business administration, management, history, anthropology, sociology, healthcare administration, pharmacy, and law. The variety of educational disciplines was consistent with previous research on executive directors of CCRCs (Hurley & Brewer, 1989).

Table 4:Level of Education Reported by Type

Level of Education	Frequency	Percent
Some college/associate	1	.6
Bachelor's degree-health care related	12	7.6
Bachelor's degree-non health care related	40	25.5
Master's degree-health care related	37	23.6
Master's degree non health care related	55	35.0
Doctoral degree-health care related	3	1.9
Doctoral degree non health care related	4	2.5

Participant Facility Profile

Corporate Status.

The participants indicated the corporate status of the continuing care retirement community they were currently managing. Table 5 indicates that 93.6% of the participants identified the CCRC they currently manage as a non-profit corporation. Only 3.8% identified the facility as a for profit corporation. Four participants (2.5%) did not identify the corporate status of the CCRC they currently manage.

Table 5: Corporate Status of CCRCs

Corporate status	Frequency
For profit	6
Non-profit	147
Response total	153
No answer	4

CCRC Profile.

*E*xecutive directors identified on average, their communities having 310 independent apartments, 55 assisted living apartments, and 88 skilled nursing beds with a mean operating income of nearly $13.4 million. The facilities ranged from 17 independent apartments to over 1900. The range for assisted living units was two to 200 and for the skilled units from 20 to 450 units. It is possible that a CCRC may not have an assisted living level of living but would usually have independent and skilled care.

Based upon the findings of the original study of Hurley and Brewer (1991) and Stowe and Haefner (2010), six domains were identified to define managerial knowledge, skills and abilities:

- Interpersonal – interaction with residents, negotiation skills, conflict resolution
- Organizational - time management, leadership, decision making, delegation, training & project management
- Business administration - budgets, financial management, strategic planning
- Communications - public speaking, meetings and correspondence
- Board relations - interaction and reporting to the board
- Fundraising - funds/capital for ongoing operation and/or capital improvements

This study defined managerial knowledge, skills, and abilities in six categories consistent with Hurley and Brewer's original study. The six categories of skills are interpersonal, organizational, business administration, communications, board relations, and fundraising. Participants ranked these six domains in order of importance with *1* indicating most important, *2* second most important, *3*, third most important through 6 sixth most important. Participants identified organizational skills as the most important. Participants ranked interpersonal skills, business administration, communication, board relations and fundraising as the number 2 through 6 important domains. Table 6 presents the domain and the rankings based on the two studies.

Table 6: Rankings of KSA Domains

	Rankings 2009	Hurley and Brewer Rankings
Organizational skills	1	1
Interpersonal	3	2
Business administration	2	3
Communication	4	4
Board relations	5	5
Fundraising	6	6

Participants ranked organizational skills, business administration, interpersonal and communication skills as the most important domains.

Participants are asked to rate each of the 25 items on a 5-point Likert scale of importance (1= not at all, 2=Not very, 3=no opinion, 4= some-what and 5=extremely). Table 7 presents the range of responses by the participants and the mean of each of the 25 KSAs. Four of the KSAs had a mean above 4.8. Six KSAs had a mean score between 4.70 and 4.79. Five KSAs had a mean between 4.40 and 4.69. KSAs that had a mean score between 4.20 and 4.39 were seven. The last group of three KSAs received a mean rating below 4.0.

Table 7: KSA Rankings by Mean

KSA	M
Demonstrates effective employee leadership	4.87
Listening and empathy for residents concerns	4.85
Creates a positive work culture and environment	4.83
Communicating organizational vision/values to community/residents/ employees	4.83
Creative problem solving	4.78
Ability to effectively manage conflict	4.78
Sensitivity to staff problems	4.78
Being visible to the residents of your facility on a regular basis	4.73
Knowledge and use of strategic planning	4.71
Knowledge of financial statements and critical ratios	4.70
Develops and maintains effective relationship with board of directors	4.68
Knowledge of components of community marketing plans	4.57
Knowledge of state and federal health care regulations (including HIPAA) and ensures compliance	4.48
Provide effect leadership and development of board of directors	4.45
Knowledge of and compliance with accreditation standards	4.42
Knowledge of contracts/agreements	4.29
Prepare budgets for community	4.28
Ability to develop a mission statement	4.25
Develops effective networking through events and outreach	4.21
Manages the performance of community employees	4.12
Knowledge of Facility/Plant management	4.11
Effective utilization and implementation of health care clinical programs	4.07
Knowledge of bond covenants	3.93
Audits for clinical and financial compliance with Medicare/Medicaid regulations	3.90
Management of Accounts Receivables	3.85

Crosstabulations were conducted on the six domains (See Table 6) to compare the demographics of healthcare experience, CCRC experience, age, gender, and education with the 6 domains. Respondents were arranged so that approximately equal numbers were represented for the demographics for CCRC experience, age, and healthcare experience. Healthcare experience was arranged in three groups; 0-19 years (n=50), 20-25 (n=44), 26-52 (n=52). CCRC experience was arranged; 0-9 years (n=45), 10-16 (n=50), and 17-35(n=53). Finally, age breakdown was

26-49 years (n=51), 50-57 years (n=56), and 58 or older (n=41). Gender and education were grouped as part of the survey. With sample sizes around 50 or so there would need to be a percentage differences greater than 15% to conclude statistical significance between a domain and demographic factor. Table 8 summarizes the statistical findings in this crosstabulation analysis.

Table 8: Domains and Health Experience

Domain	Demographic	
Organizational skills Interpersonal Business administration Communication Board relations Fundraising	Healthcare Experience	In the three groups within healthcare experience no significant difference in the percentages of participants were identified within the six domains.
	CCRC Experience	Within all participant groups in CCRC experience there were no statistical differences in the percentages within the six domains.
	Age	No significant difference in the percentages of participants within the six domains
	Gender	No significant difference in the percentages of participants within the six domains
	Education	The percentage of participants with a master's degree in healthcare (37.1%) rated the organizational domain higher than master's degrees that were not healthcare related (21%)*. All other domains percentages with this demographic were not significant.

*p≤.05

While there appears to be uniform consistency of responses from the demographics of participants, these findings have implications for types of KSAs that are important for future CCRC leadership. If a new strategy is developed for the business model of CCRCs, leadership skills are bound to change and adapt based on the needs of the organization. Beliefs that have been held true for leadership in the past may not be effective for the future.

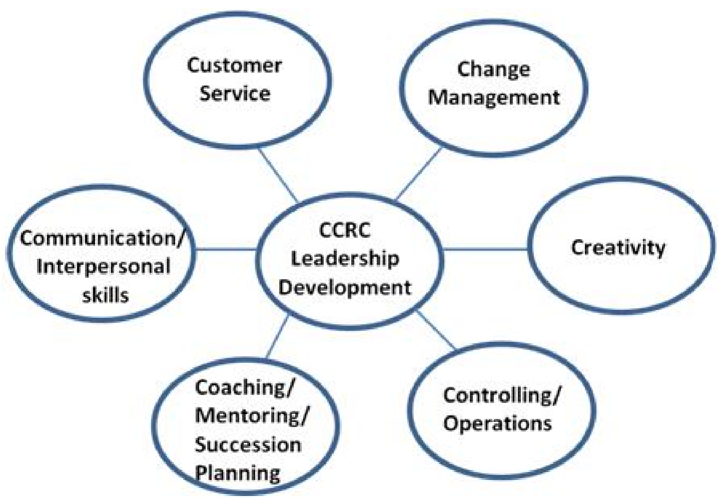
DISCUSSION AND IMPLICATIONS

Of all of the research findings, the three top dimensions identified by CCRC executives were organizational skills, business administration skills and interpersonal skills. When these particular areas are further defined, it is evident that they fall into the top leadership roles for practitioners. Organizational skills actually contain leadership qualities within the dimension which include decision making, delegation, training, time management and project management. It has a solid base of managerial skills. A leader must also understand the basic functions of running a business such budgeting, financial management and strategic planning. These are the business administration factors and could be in the top three given the current economic conditions and financial constraints that health care organizations are currently facing. And, of course, no leader could be without interpersonal skills and the ability to interact with others, negotiate where necessary and resolve conflict resolution. These were the core competencies identified by the CCRC executives.

So, perhaps, senior management development needs to be redefined in terms of leadership requirements for CCRC executives. "Leaders are asked to play multiple roles including coach, global thinker, change driver and, entrepreneur" (Bernthal & Wellins, 2006, p. 32). This is extremely valid for CCRC leadership today. CCRC executives must be coaches on a team to motivate employees to perform in a new and changing environment where the customer comes first. Without senior residents of all ages and levels of independence, the retirement communities will fail. Critical to strategic planning is the ability to think "out of the box"; otherwise, creativity cannot occur and profits might stagnate. Of course, these leaders must be able to manage financial operations as this is basic for all levels of management.

A CCRC executive development model will assist leaders in changing the future direction of CCRC organizations. The drivers of future leadership and organizational effectiveness will depend on a change in qualities of the leaders. The industry must change and grow and so must the leaders. A proposed model would include the six C's of CCRC leadership development factors. Figure 1 displays a wheel where multiple factors emerge from the base to enhance and build a successful leader.

Figure 1: Wheel of CCRC Executive Leadership Development Components – The 6 C's



Many organizations look for the individual skills that a manager needs to possess to be successful instead of taking a broader view to look at the "core group" of abilities and knowledge to draw expertise and strength in leadership. Prahalad and Hamel (1990) purport that competencies are the root of organizational competitiveness. Similar to organizations, individuals also need to develop core competencies as they comprise "the collective learning in the organization" (Prahalad & Hamel, 1990, p. 82). A study conducted by Shewchuk, O'Connor and Fine (2006) looked at what skills a newly entering healthcare manager would need to possess in order to become a successful executive. For the traditional management cluster which was weighted as one of the most important, the healthcare practitioners identified behaviorally-based competencies which included in descending order of importance (top 50% listed): communication skills (29%), team building (9%), credibility (8%), listening skills (6%), analytical skills (6%), and the ability to adjust to constant change (6%). As a leader, these core competencies can provide the tools for organizational success.

In the analysis of the key dimensions identified as necessary for a successful CCRC executive, the top four have not changed in over twenty years, yet the CCRC business model has grown from a person-centered approach to a customer service approach. The strategy for attracting and retaining residents is very different today as there is now focus on recruitment of seniors into communities that contain social as well as physical amenities. Many organizations have implemented values within their organization to promote the organizational vision and one of the top values for many organizations is customer service (Grensing-Pophal, 2006). The customer always comes first. With the change in the business model for CCRCs moving toward a social and entertainment environment, it is evident that customer service cannot be ignored. Some individuals have described CCRCs today as a cruise ship on land with a range of services for all different needs (Chung-Herrera et al., 2003). If residents are not happy, they will leave.

Therefore, in order to interact with residents as well as attract new participants, interpersonal skills have to be fully developed. Roper (2005) defines interpersonal communication as the foundation for all actions in the workplace. Without communication skills, leaders cannot succeed. "Certainly those who work on project teams or ultra-competitive management teams know they must enhance their interpersonal effectiveness in order to function at all" (Sinetar, 1988, p. 74). A young executive at a firm said of his work group:

> We compete against each other. Everyone likes everyone else, but we don't really trust one another. We're all told that one of us is going to run the department. This means the others won't make it, and it pits us against each other. Somebody should tell our management that relationship counts. In our department, distrust cascades all the way down into each of respective units (Sinetar, 1988, p. 74)

In order to work in groups or teams, it is the interpersonal skills that will be vital for a team to be successful and allow an individual to become a leader. Building trust is another factor which can be demonstrated through communication skills. It is the development of self-trust and trustworthiness that business relationships can be enhanced. Sinetar (1988) describes this as authentic relating. Interpersonal skills comprise a large portion of any employee's success but are especially pertinent to leaders. "It is almost impossible to be productive in today's business environment without being an effective communicator" (Meisinger, 2004, p. 8). Healthcare organizations are continuously changing and the leaders must adapt and remain flexible in order to succeed.

Managers at any level face a radically changing work environment and require skills that allow them to be flexible and adaptable if they are going to be successful. The question remains whether or not the current leaders of CCRCs have adopted the new "vision" of the business model. The data from the survey revealed that those individuals in their positions one to ten years rated the importance of communicating the vision of the organization much more strongly than those with ten or more years of service. The leaders must communicate the vision of what the organization needs to be in the future so all goals can be coordinated in an effective effort. Not only do executives have to change their views and allow the paradigm shift to occur, they need to lead the organization in the change.

Change management techniques and leadership skills can be learned from mentoring programs. Beech and Brockbank (1999) purport two streams to mentoring. The first one is that of the career coach who focuses on understanding the culture and political horizon of how an organization operates. The second important stream focuses on role modeling, personal support, and increasing self-confidence in the employee. Mentoring falls in the organizational skills that all leaders must possess. But in order to build confidence and to understand how a political climate can make or break a program, it is best learned first-hand through a coaching experience. Stead (2005) found that a mentoring program or relationship is successful in responding to leadership needs and fostering leadership skills. It is about developing the pipeline for future leaders as well as enhancing the skill sets for executives. Succession planning is a key component of a leader's responsibility in order to ensure future success and growth. Guidance, facilitation and input allow the mentor to provide wisdom and opportunities for others to learn from past errors, and observations (Hawkins, 2000). It provides both the mentor and mentee the opportunity to grow and be open to new ideas and visions. But another important aspect to the mentoring relationship is for current CCRC executives who might be mentoring younger leaders to learn about new leadership skills for the future from another generation's perspective. The younger leaders may have new suggestions for running a CCRC and the older mentor needs to be open to exploring those ideas. It should be a sharing and learning program that is a two-way street for both partners. It might also be possible to foster mentoring relationships outside of the CCRC organization to view new perspectives for future sustainability. Mentoring should not necessarily be "more of the same" but rather take on the challenge of developing new perspectives for future change and finding creative ways to implement them while learning the lessons from the past.

Creativity and innovation have been continuous buzz words in the corporate world and should be "buzzing" among healthcare institutions. Organizations are now looking for innovative and creative individuals to help differentiate their services and products (Minter, 2010). Creativity has to be defined differently than the usual one of being clever or having a genetic gift. It has a new paradigm where one key component is listening. Bichard (2000) redefines the concept such that managers must be willing to listen to new ideas. In addition, there must be a culture where a free flow of ideas is encouraged because of their intrinsic worth and not who the sponsor is. Hierarchical ideas do not exist. Conforming to the "norm" is not an option. This is not typically a leadership trait that is exemplified. Leaders will have to take the definition of creativity which is acting out of the ordinary verbatim and that will require taking risks for effective transformation.

Any executive must be able to run the operations of a business. Basic skills of budgeting, financial planning and long term strategy must be evident and a prerequisite for that position. It is clear that during the past two or more years that these skills, financial planning and long term strategy, have grown in significance with the struggling economy. All organizations have to remain competitive. The elevation of the business administration skills to the second spot from the third spot may highlight the effect that the economy has had on the significance of the skills. But the fact remains it is an essential domain for all executives to operate a business. The control function is being able to comply and report appropriately the business financials as well as plan long term goals. In a study conducted by Bernthal & Wellins (2005), leaders of 944 organizations in 42 countries identified that it was "the ability to make the numbers" that gained the most respected leadership behavior. The second and third ranked behaviors were "the ability to take a stand and make a tough decision" and the "ability to create a strategy or vision for success." Interpersonal skills were ranked fourth. However, what they also found is that what organizations respect in leaders does not cause leadership failure. Those that fail do so because of poor people skills or personality qualities. Leaders may have respect through achieving financial objectives but it is the interpersonal skills that cause a leader to fail. So, as CCRCs look to identify proper leaders, are they being selected for their technical skills and not necessarily for their "people" skills?

Clash of the Generations

Age is also a factor in terms of what skills are viewed as important. The Baby Boomers (ages 41 – 65) make up approximately two thirds of the workface and occupy many middle and upper level management positions (Collins, 2004). Boomers have excellent interpersonal skills and are great at building relationships. Generation X (ages 26 – 40) and Y (ages 25 and under) grew up with the information age and are comfortable with technology (Collins, 2004). Baby Boomers typically shy away from the latest technology and value face–to-face communications. As leaders, it is essential to identify what is valued as the global world continuously changes. The Boomers valued the skills of business administration greater than the younger generations. The boomers were brought up to display concrete technical skills in combination with interpersonal skills. Generation X and Y individuals rely more on team skills since they grew up in this fashion. They rely on doing something or experiencing it rather than learning from a book (Weston, 2001). Executives will need to model expected interpersonal skills behavior for the younger generations. This may include behaviors such as don't text message during meetings, do listen without interrupting and watch the language used (Fine, 2009). But executives will also have to be open to criticism of "old ways" and be open to implementing new technology to enhance communications. Relationship building remains the one skill most often overlooked in training curricula (Ferrazzi & Gatti, 2007). The old ways of relationship building may need to take a new twist with social media. But all of the generational differences can be addressed in mentoring programs. All generations can learn from each other.

CONCLUSION AND FUTURE RESEARCH

The skills associated with a successful CCRC executive are organizational, business administration and interpersonal skills. However in order for an executive to exemplify these skills, he/she must develop the contributing attributes. The 6 C's – communication, customer service, change management, creativity, coaching and controlling – must be cultivated through gained knowledge, experiential learning as well as mentoring. It may be easier to indicate what skills are needed but to develop them requires a longer process. These basic components are essential elements for CCRC leaders to exhibit in order to change the culture of current CCRC facilities and maneuver them into the next generation business model. CCRC executives can utilize this information to develop themselves and new leaders as well as create a succession plan.

Opportunities for further research include initiating this development model as a pilot in a CCRC organization. It could also include surveying the population again to determine if they concur with the developmental model. Further research also needs to determine if the business model for CCRCs is changing and to what extent. This will have an effect on the leadership KSAs needed in CCRC organizations.

Other areas for exploration include a more detailed analysis of the demographic factors. A generational study could be analyzed along with gender and tenure of service as well. It is important to keep a pulse on the CCRC business industry as the dynamics of healthcare changes continue to emerge.

REFERENCES

Aczel, A. D., & Sounderpandian, J. (2002). *Complete business statistics*. Boston: McGraw Hill. Beech, N., & Brockbank, A. (1999). Power/knowledge and psychosocial dynamics in mentoring. *Management Learning, 30*(1), 7-25.

Bernthal, P., & Wellins, R. (2005). *Leadership Forecast 2005 - 2006: Best practices for tomorrow's global leaders*. Pittsburgh, PA: Development Dimensions International.

Bernthal, P., & Wellins, R. (2006). Trends in leader development and succession. *Human Resource Planning, 29*(2), 31-40.

Bichard, M. (2000). Creativity, Leadership and Change. *Public Money & Management, 20*(2), 41-46.

CARF Commission on Accreditation of Rehabilitation Facilities [Electronic (2010). Version]. Retrieved February 16, 2010 from http://www.carf.org/.

Chung-Herrera, B. G., Enz, C. A., & Lankau, M. J. (2003). Grooming future hospitality leaders: A competencies model. *Cornell Hotel & Restaurant Administration Quarterly, 44*(3), 17-25.

Collins, D. E. q. (2004). Workplace diversity: Generational Review. *Radiologic Technology, 76*(1), 62-69.

Dillman, D. A. (2000). *Mail and internet surveys: The tailored design method* (2nd ed.). New York: Wiley.

Ferrazzi, K., & Gatti, L. (2007). The human element of successful training. *Training & Development 61*(6), 68-72.

Fine, J. (2009). Enhancing Gen Y communication skills [Electronic Version]. Retrieved January 25, 2010 from http://www.shrm.org/hrdisciplines/diversity/articles/pages/enhancinggeny.aspx.

Glister, S., & Dalessandro, J. (2009). Introducing the first leadership model for LTC administrators. *Long-Term Living: For the Continuing Care Professional, 58*(8), 32-35.

Grensing-Pophal, L. (2006). Building Service with a Smile. *HR Magazine, 51*(11), 84-89.

Guo, K. L. (2002). Roles of managers in academic health centers: strategies for the managed care environment. *The Health Career Manager, 20*(3), 43-58.

Hawkins, J. (2000). Mentoring Leadership. *Executive Excellence, 17*(3), 3.

House, R. J., Hanges, P. J., Ruiz-Quintanilla, S. A., Dorfman, P. W., Javidan, M., Dickson, M., et al. (1999). Cultural influences on leadership and organizations. Advances in global leadership. In (Vol. 1). Standford, CT: JAI Press.

Hudak, R. P., Finstuen, K., & Brooke, P.P. (1994). FORECAST 2000: A predication of skills, knowledge and abilities required by senior medical treatment facility leaders into the 21st Century. *Military Medicine, 159*, 494-500.

Hurley, R. E., & Brewer, K. P. (1991). The continuing care retirement community executive: A manager for all seasons. *Hospital and Health Services Administration, 36*(3), 365-381.

Hyatt, L. (1997). What makes a good assisted living administrator? *Nursing Homes, 46*(7), 11-12.

Meisinger, S. (2004). Communicating skills are keys to achieve HR's Goal. *HRMagazine, 49*(5), 8.

Minter, S. (2010). The most important leadership quality [Electronic Version]. *Industryweek.com*, *259*. Retrieved September 27, 2010.

Prahalad, C. K., & Hamel, G. (1990). The core competence of the corporation. *Harvard Business Review, 68*(3), 79-91.

Reinventing healthcare leadership. (2008, 11/17/2008 Supplement). *Modern Healthcare*

Richie, N. D., & Alperin, D. E. (1989). Work force characteristics of continuing/life care administrators: Implications for teaching and counseling. *Journal of Health Administration Education, 7*(1), 70-76.

Roper, G. (2005). Develop interpersonal communications and conflict-management skills to better manager employee relations. *HRMagazine, 50*(5), 101-104.

Shewchuk, R. M., O'Connor, S. J., & Find, D. J. (2006). Bridging the gap: Academic and practitioner perspectives to identify early career competencies needed in healthcare management. *The Journal of Health Administration Education, 23*(4), 366-392.

Sinetar, M. (1988). Building trust in corporate relationships. *Organizational Dynamics, 16*(3), 73-79.

Stead, V. (2005). Mentoring: A model for leadership development? *International Journal of Trainign and Development, 9*(3), 170-184.

Stefl, M. E. (2003). *Report of the competency task force: Healthcare leadership alliance*. Chicago: HLA.

Stefl, M. E. (2008). Common competencies for all healthcare managers: The healthcare Leadership Alliance Model. *Journal of Healthcare Management, 53*(6), 360-374.

Wells, W., & Hejna, W. (2009). Developing leadership talent in healthcare organizations. *Healthcare Financial Management, 63*(1), 66-69.

Weston, M. (2001). Coaching generations in the workplace. *Nursing Administration Quarterly, 25*(2), 11-21.

Winklevoss, H. E., & Powell, A. V. (1984). *Continuing care retirement communities: An empirical, financial and legal analysis*. Homewood, IL: Richard D. Irwin, Inc.

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

Simone T. A. Phipps, Macon State College
Leon C. Prieto, Savannah State University

ABSTRACT

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

INTRODUCTION

Organizational performance is critical for the survival of a company. Successful business operation allows firms to compete and stay afloat, while closure looms for those that fail. Many factors influence the effectiveness and performance of both employees and the organization that they serve. Some of these factors include transformational leadership (Bass & Riggio, 2006; Whittington & Goodwin, 2001; Boerner, Eisenbeiss, & Griesser, 2007; Garcia-Morales, Matias-Reche, & Hurtado-Torres, 2008), organizational citizenship behavior (Organ, 1988; Podsakoff & MacKenzie, 1997; Min-Huei, 2004), organizational learning (Arthur & Huntley, 2005; Chich-Jen, Wang, & Fu-Jin, 2009; Chaveerug & Ussahawanitchakit, 2008), and entrepreneurship (Zahra & Covin, 1995; Dyduch, 2008; Covin & Miles, 1999). Ultimately, these dynamics center around, not only the structure and culture of the organization, but also the abilities of the human resources employed within the organization. One such ability is individual creativity. According to Oldham and Cummings (1996), creativity involves the generation of ideas, procedures, or products that are novel or original, and that are potentially relevant for, or useful to, an organization. The authors further clarify novelty as entailing a significant recombination of existing materials or an introduction of completely new materials. Amabile (1983) refers to creativity as a response that is novel, appropriate, and useful to the task at hand.

Creative individuals are an asset to any organization as creativity positively affects organizational performance. Employees' creativity often provides a starting point for successful organizational innovation (Zhou, 2003; Bassett-Jones, 2005), and many researchers agree that creativity is fundamental to ensure an organization's competitiveness and survival (Gilson, 2008; Cox & Blake, 1991). Fentem, Dumas and McDonnell (1998) concede that although the phenomenon of creativity has long been of great interest to the philosophy, psychology, and design research communities, more recently, the business community has become interested due to global competition, our "accelerated culture," and the evermore rapidly changing business environment, which force organizations to constantly innovate their processes, products and services. For today's knowledge and innovation-based economies, as well as entrepreneurship, creativity will define what could be the essence of a business's raison d'être (De Miranda, Aranha, & Zardo, 2009).

Therefore, it is important to determine the factors that promote or release creativity in individuals, and to find ways to foster their creative vision, so that the organizations for which they work can reap the benefits of their originality and resourcefulness. There are numerous factors that encourage creativity including diversity (Bassett-Jones, 2005), personality, cognitive style, job complexity, relationship with supervisors and coworkers, rewards, evaluation, deadlines and goals, and spatial configuration of work settings (Shalley, Zhou, & Oldham, 2004). Knowledge and learning have also been associated with creativity. Weisberg (1999) mentioned that it is universally acknowledged that one must have knowledge of a field if one hopes to produce something novel within it, because knowledge provides the basic elements or building blocks out of which new ideas are constructed.

However, knowledge must be effectively managed to maximize its creative productivity. Wei and Xie (2008) defined knowledge management as a systematic and organized approach to improve the organization's ability to mobilize knowledge to enhance decision-making, take actions, and deliver results in support of the underlying business strategy. Therefore, KM is a process that aids in the procurement and dissemination of knowledge within an organization. Since creativity builds on knowledge, and KM facilitates the generation, organization, and diffusion of knowledge, KM should positively affect creativity as it ensures the availability of knowledge to employees, who can then assimilate the knowledge as they produce creative solutions.

Another factor that has been associated with creativity is entrepreneurship. Florida (2002) mentions varied forms of creativity including economic creativity, which the author equates with entrepreneurship. According to Pina e Cunha (2007), one of the major issues entrepreneurship research deals with is the creation of opportunities. Ireland, Hitt, and Sirmon (2003) refer to entrepreneurial mindset, which they define as a growth-oriented perspective through which individuals promote flexibility, creativity, continuous innovation, and renewal. Thus, an individual with an entrepreneurial mindset (also referred to as entrepreneurial spirit) should be better equipped rationally or analytically to embody or exemplify creativity. As regards cognitive signs driving the entrepreneurial spirit, creativity is at the heart of an entrepreneur's search for meaning (De Miranda, Aranha, & Zardo, 2009).

The literature suggests that both knowledge management and an entrepreneurial mindset should play a role in individual creativity. Therefore, the primary purpose of this study is to determine the influence of knowledge management on individual creativity, as well as to determine the moderating effect of an entrepreneurial mindset on the knowledge management-creativity relationship. The objectives of the study are as follows:

1. To explore the relationship between the components of knowledge management (knowledge creation, knowledge storage/retrieval, knowledge transfer, and knowledge application) and individual creativity.

2. To explore the possibility of an entrepreneurial mindset moderating the relationship between the components of knowledge management and individual creativity.

The significance of this study lies in the ability to use the results to foster an organizational environment, as well as provide resources, and develop processes that promote individual creativity and facilitate the creative process. If the findings show that knowledge management does indeed influence individual creativity, knowledge management systems could be developed with a focus on the components that are shown to impact creativity most. Also, the results can be used in the selection process when hiring new employees or when choosing current employees for special projects. If an entrepreneurial mindset is found to be a moderator, this finding can be considered during selection according to the level of creativity needed to fulfill or surpass the requirements of a particular position or to favorably complete a project.

KNOWLEDGE MANAGEMENT

Knowledge has achieved central importance in modern societies, as well as in business organizations (Hack, 2003), and within knowledge-intensive organizations, techniques for managing existing knowledge and apprehending new knowledge effectively are becoming of key value, particularly where processes are very dynamic (Fentem, Dumas, & McDonnell, 1998). However, there are different views of knowledge, which determine the focus as regards knowledge management (Alavi & Leidner, 2001). The authors explain that depending on whether knowledge is perceived as data and information, an object, a process, a capability, a state of mind, or a condition of having access to information, knowledge management emphasizes exposure to and assimilation of information, building and managing knowledge stocks, the creation, sharing and distribution of knowledge, building core competencies, enhancing learning, or organized access to and retrieval of content.

In this manuscript, knowledge embraces all the aforementioned views, and thus, knowledge management reflects this conceptualization, encompassing the components of systems developed and implemented to support and enhance knowledge management. These components include knowledge creation, knowledge storage/retrieval, knowledge transfer, and knowledge application (Alavi & Leidner, 2001).

According to Nonaka and Takeuchi (1995), knowledge creation involves the acquisition and development of knowledge from both internal and external sources, and is characterized by three main factors, namely metaphor and analogy, the transition from personal to organizational knowledge, and ambiguity and redundancy. Metaphors and analogies assist with the visualization and explanation of difficult concepts, transition from personal to organizational knowledge occurs through individual interaction, and ambiguity and redundancy reflect the willingness to try numerous different approaches, despite the inevitability of some failures.

The authors also mention that knowledge creation depends on knowledge conversion, which involves socialization, externalization, combination, and internalization. Socialization reflects the idea of knowledge sharing and transition, and can include activities like brainstorming. Externalization involves the communication of concepts, and reflects the need for metaphor and analogy. Combination refers to the process of sorting, adding, and fusing knowledge to create new knowledge, which reflects ambiguity and redundancy, and internalization concerns learning, whether through personal experience(s) or the experience(s) of others.

When knowledge is created, its storage protects against loss, and facilitates retrieval at a later date. Wei and Xie (2008) state that effective storage and retrieval mechanisms enable the organization to quickly access knowledge. The authors also emphasize that to remain competitive, organizations must not only create, but capture and locate organizational knowledge. Knowledge storage is synonymous with organizational memory and includes storage and retrieval technology and techniques such as e-mail, intranet, query language, multimedia databases, expert systems, and database management systems (Chou, 2005). Nonaka & Takeuchi (1995) also mention knowledge that is incarnated in individuals. Storage in the form of the latter is not as secure or dependable, however, as it can easily be lost (or leaked) due to memory failure, death, or turnover.

Another important process in knowledge management is knowledge transfer, which is driven by communication processes and information flows, and occurs at various levels, namely between individuals, from individuals to groups, between groups, across groups, and from the group to the organization (Alavi & Leidner, 2001). Documents or manuals facilitate the transfer of explicit knowledge to other people, thereby helping them “experience the experiences” of others indirectly (Nonaka & Takeuchi, 1995). The authors also explain the concept of “redundancy,” which encourages frequent dialogue and communication, helps to create a common cognitive ground among employees, and thus facilitates the transfer of tacit knowledge. Since organizational members share overlapping information, redundancy takes place primarily in information sharing, and thus, it spreads new explicit knowledge as well.

The fourth component of the knowledge management process is knowledge application, which simply denotes knowledge utilization (Song, van der Bij, & Weggeman, 2005). Knowledge application allows the knowledge to be integrated in employee work processes. It is the use of the knowledge created, retrieved from storage, and/or transferred, in order to contribute to organizational performance and/or to gain competitive advantage.

Organizations are becoming concerned to create environments where large numbers of people can work efficiently and creatively together towards a common goal (Fentem, Dumas, & McDonnell, 1998). Knowledge management and knowledge management systems enable these organizations to provide such an environment so that individuals can generate, access, share, and use knowledge to enhance the creative process and achieve organizational success.

ENTREPRENEURIAL MINDSET

McGrath and MacMillan (2000) provide five defining characteristics of the entrepreneurial mindset, namely 1) the passionate seeking of new opportunities, 2) the enormously disciplined pursuit of opportunities, 3) the pursuit of only the best opportunities instead of chasing after every option, 4) the focus on adaptive execution, and 5) the engagement of energies of everyone in one's domain. According to the authors, the first characteristic embraces alertness, which enables the readiness to grasp opportunities when they arise. The second characteristic goes a step beyond alertness to involve actual action. The third characteristic alludes to the determination of boundaries, as the individual does not recklessly track every promising scent, but carefully chooses optimality over quantity. The fourth characteristic reflects an ability to not just act, but to perform, while adjusting according to occurring changes. The fifth characteristic incorporates the idea of engagement as the individual draws on relationships to garner resources, and employs the knowledge, skills, and abilities of those around him/her.

According to Ireland, Hitt, and Sirmon (2003), entrepreneurial mindset is comprised of four components, namely 1) recognizing entrepreneurial opportunities, 2) entrepreneurial alertness, 3) real options logic, and 4) entrepreneurial framework. The authors explain that entrepreneurial alertness refers to superior insight, and that it informs the pursuit of entrepreneurial opportunities. Real options logic alludes to the ability to deal with the uncertainties inherent in recognizing and pursuing entrepreneurial opportunities, and entrepreneurial framework includes actions such as goal setting, establishing an opportunity register to facilitate visibility, and determining the timing of strategy launches to make the most of opportunities. Although the two definitions of entrepreneurial mindset are not identical, the elements of both descriptions reflect common themes pertaining to the exploration, recognition and pursuit of opportunities.

THEORETICAL FOUNDATION

Knowledge is a major organizational resource. This perspective is maintained by the knowledge-based view of the firm (KBV), and builds upon and extends the resource-based view (RBV) or theory of the firm (Alavi & Leidner, 2001). The authors explain that because knowledge-based resources are usually difficult to imitate and socially complex, KBV posits that these knowledge assets may produce long-term, sustainable, competitive advantage. However, the knowledge must be effectively managed to achieve such results. KBV assumes that knowledge creation, integration, transfer, and application would benefit companies more than knowledge itself (Chou, 2005). Therefore, adequate and competent knowledge management is fundamental for the successful operation of organizations.

KBV also incorporates creativity and entrepreneurial mindset. Choo and Bontis (2002) state that the knowledge base of the organization includes the tangible and intangible knowledge, experience, and skills within the organization, and that creativity derives from obvious and visible expertise as well as invisible reservoirs of experience. In addition, theoretically, knowledge management is a great accelerator of innovation and creativity (Choo & Bontis, 2002). With regard to entrepreneurial mindset, organizational knowledge provides not only the foundation for new ideas but also the wisdom and experience of judging the appropriate opportunities to pursue (Choo & Bontis, 2002). Thus, effective knowledge management would assist in ensuring that apposite information is available for individuals to use, facilitating the discovery and exploitation of new opportunities.

The essence of the RBV lies in the emphasis on resources and capabilities as the genesis of competitive advantage (Wang & Ahmed, 2007). Therefore, the notion of dynamic capabilities complements the premise of the resource-based view of the firm (Wang & Ahmed, 2007), and thus the knowledge-based view as well. In fact, Choo and Bontis (2002) assert that each knowledge strategy is associated with critical capabilities including creativity. Wang and Ahmed (2007) affirm that dynamic capabilities refer to a wide range of resources, processes, and capabilities, and that they capture the idea of firms constantly adapting, renewing, reconfiguring, and recreating their resources and capabilities in line with the competitive environment. Therefore, dynamic capabilities theory embraces creativity which involves the generation of new ideas. It also reflects an entrepreneurial mindset, which is sufficiently alert and insightful to recognize opportunities for adaptation, renewal, reconfiguration, and recreation of resources.

The dynamic capabilities perspective also embraces knowledge management. Chou (2005) states that knowledge is dynamic, because it is created through social interactions among individuals and organizations. The author also explains that knowledge is context-specific, since the information becomes useful and meaningful knowledge only when it is given a context and interpreted by individuals. Hence, the ability to manage knowledge effectively facilitates the use of the knowledge in the appropriate contexts, and thus enables amendment or reconfiguration.

This manuscript is grounded on RBV/KBV and dynamic capabilities because together, the theories firmly support the ideas presented. RBV, by itself, has been criticized as being static, failing to address the influence of market dynamism and firm evolution over time, but the concept of dynamic capabilities reconciles this censure by being intrinsically linked to market dynamism (Wang & Ahmed, 2007). Dynamic capabilities are inherently associated with change as they fundamentally refer to not just the resources, but also the ability to modify and reconstruct the resources to achieve competitive advantage.

PROPOSITION DEVELOPMENT

Knowledge Creation

Knowledge can completely lose its value in a trice, through new kinds of knowledge, as well as by becoming common property, and thus, no longer a scarce good (Hack, 2003). Thus it is important for an organization to consistently create knowledge in order to maintain its competitive advantage. Nonaka and Takeuchi (1995) mention ambiguity and redundancy, characteristics of knowledge creation, as important in the creative process. According to them, ambiguity and "creative chaos" go hand in hand, and redundancy can be employed to promote creativity and to discover, in practicality, what does not produce desirable results. The authors also explain that redundancy pertains to the existence of information that extends beyond the immediate operational requirements of organizational members. Therefore, information concerning business activities, managerial responsibilities, and the company as a whole deliberately overlaps to provide a more comprehensive picture. It is reasonable to suggest that this additional information would serve as a strong foundation, enabling individuals to sprout new ideas, based on the plethora of knowledge available.

Kogut and Zander (1992) develop a dynamic view of how firms create new knowledge, suggesting that new skills are learned by recombining current capabilities, and thus growth of knowledge occurs by building on social relationships, and hence experiencing new things. This exposure to novelties helps create new knowledge and also boosts idea generation, thus promoting creativity. An entrepreneurial mindset or dominant logic is flexible and receptive to novel and promising business models, leading to a constant search for and filtering of new ideas and process innovations (Hitt, Ireland, Camp, & Sexton, 2002). Therefore an entrepreneurial mindset would spur individuals to actively seek interaction that would lead to knowledge building, idea generation, and thus, creativity. The following propositions reflect the associations put forward among knowledge creation, EM, and individual creativity:

Proposition 1A: *Knowledge creation is positively related to individual creativity.*

Proposition 1B: *Entrepreneurial mindset moderates the relationship between knowledge creation and individual creativity, such that the relationship is stronger when EM is greater than when EM is lesser.*

Knowledge Storage/Retrieval

While organizations create knowledge and learn, they also forget (Chou, 2005). Therefore, knowledge storage and retrieval is important so that organizational members can access and process pertinent information in order to gain inspiration for new ideas and initiatives. For instance, Fentem, Dumas, and McDonnell (1998) explain how information systems consisting of spatial representations or maps of strategic knowledge can provide the necessary information vis-à-vis facts and relationships to facilitate effective cross-functional communication in order to integrate organizational actions, as well as stimulate creativity by generating different perspectives. Thus knowledge storage for subsequent retrieval can play a role in an individual's unleashing of his/her creative strength.

Pina e Cunha (2007) present entrepreneurship as decision-making, and three different perspectives are broached, namely the rational, intuitive, and improvisational perspectives. From the rational viewpoint, the author explains that opportunities are discovered by people having access to more or better information. Clearly, knowledge storage would facilitate increased access to needed information. Also, from the rational perspective, entrepreneurs think to discover the opportunity. From an intuitive perspective, however, "flashes of insight" enable the entrepreneur to envision the opportunity. The improvisational perspective advocates the construction of opportunities through the entrepreneur's actions. All these perspectives embrace creativity, as the entrepreneur finds a means to identify and exploit an opportunity. It is the individual's entrepreneurial mindset, however, that allows the perception of these opportunities and thus strengthens the extent to which knowledge influences creativity. The following propositions relay the relationships suggested among knowledge storage/retrieval, EM, and individual creativity:

Proposition 2A: *Knowledge storage/retrieval is positively related to individual creativity.*

Proposition 2B: *Entrepreneurial mindset moderates the relationship between knowledge storage/retrieval and individual* *creativity, such that the relationship is stronger when EM is greater than when EM is lesser.*

Knowledge Transfer

Explicit knowledge such as rules and formulas, and tacit knowledge that is gained from experience or socialization, must be shared for the maximum benefit of organizations in general, and specifically, for the increased creativity of individuals. Fentem, Dumas, and McDonnell (1998) assert that strategic knowledge, which enables the formulation of strategies, action plans, and tactics in different contexts, is often tacit, and transferred through informal conversations, which help generate new ideas and concepts. Knowledge transfer in this fashion could be quite a lengthy process. Information systems can facilitate the conversion of tacit knowledge to explicit knowledge, which can then be shared throughout the organization efficiently and effectively, acting as a platform from which to draw new ideas, and thus boost creativity.

Individuals with an entrepreneurial mindset, because of their proactive nature in terms of seeking opportunities, should readily take advantage of and benefit from knowledge transfer processes. Indeed, Pablo and Javidan (2004) relate how following an acquisition, knowledge transfer activities were carried out, first and foremost, by organizational members with an entrepreneurial mindset. These individuals saw opportunities and chose to pursue them. Rather than focus on the stress and uncertainty that might result from the acquisition, they approached the acquisition as an opportunity for themselves and their team (Pablo & Javidan, 2004). Similarly, individuals with an entrepreneurial mindset should embrace and increase their creative abilities by utilizing opportunities to share knowledge, and thus gain new perspectives. The following propositions convey the links proffered among knowledge transfer, EM, and individual creativity:

Proposition 3A: *Knowledge transfer is positively related to individual creativity.*

Proposition 3B: *Entrepreneurial mindset moderates the relationship between knowledge transfer and individual creativity, such that the relationship is stronger when EM is greater than when EM is lesser.*

Knowledge Application

Beyond knowledge transfer, knowledge must be applied for creative thinking to be fully manifested. Lim and Hernandez (2007) allude to knowledge application promoting engagement in problem-solving and creativity. Datta (2007) explains that knowledge application goes beyond exploration and extraction of data for creative venturing, and focuses on exploitation of knowledge into creativity and innovations, and their subsequent diffusion for appropriation and reuse. Therefore, knowledge application is most geared toward action as it reflects the actual use of the knowledge to spawn creativity.

Entrepreneurial orientation (EO) could be an important measure of the way a firm is organized- one that enhances the performance benefit of a firm's knowledge-based resources by focusing attention on the utilization of these resources to discover and exploit opportunities (Li, Liu, Wang, Li, & Guo, 2009). EO is a firm-level construct, referring to the organization's strategic course as regards entrepreneurial aspects of decision-making styles, such as taking calculated risks, being innovative, and being proactive (Covin & Slevin, 1989). Thus, it is similar to the individual-level construct, entrepreneurial mindset, which, like EO, should also play a significant role in the application of knowledge to discern and pursue opportunities. This knowledge application process should also help foster creativity, which can be an asset in terms of having the needed insight to detect these opportunities. The following propositions reflect the associations put forward among knowledge application, EM, and individual creativity:

Proposition 4A: *Knowledge application is positively related to individual creativity.*

Proposition 4B: *Entrepreneurial mindset moderates the relationship between knowledge application and individual creativity, such that the relationship is stronger when EM is greater than when EM is lesser.*

Figure 1 depicts the proposed relationships among the constructs being explored. It is a conceptual model that illustrates the influence of knowledge management, including the processes of knowledge creation, knowledge storage/retrieval, knowledge transfer, and knowledge application, on individual creativity. The moderating effect of an entrepreneurial mindset on the knowledge management-individual creativity relationship is also conveyed.

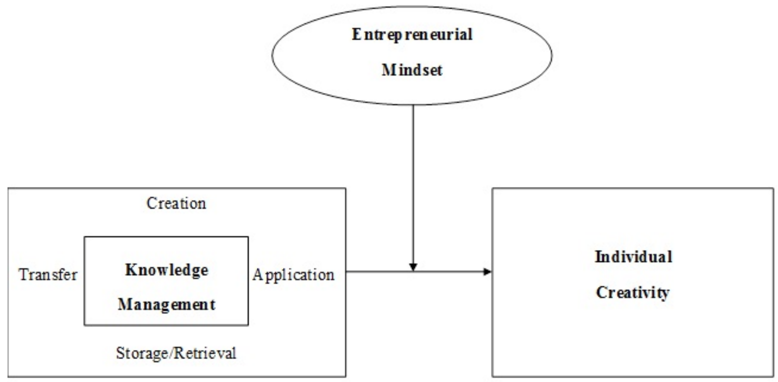


Figure 1: Conceptual Model

METHODOLOGY

A research questionnaire will be mailed to employees in the marketing, new product development, and research and development departments of several large organizations in the southern region of the United States. The sample size for the study will be determined using Cochran's formula (Cochran, 1977).

Measures of individual creativity, knowledge management, and entrepreneurial mindset will be used in this research. For creativity, the Torrance Test of Creative Thinking (TTCT) in Kim (2006) will be the measuring instrument used. This instrument, developed by Dr. E. Paul Torrance in 1966, is probably the most widely used in research as well as in practice (Anastasi, 1988). To measure entrepreneurial mindset, a modified instrument that incorporates items from the Entrepreneurial Attitude Orientation Scale (EAO) in Robinson, Stimpson, Huefner, and Hunt (1991) will be used. While knowledge management continues to gain popularity as a corporate strategy, the acceptance of standardized KM assessment approaches has lagged (Grossman, 2006). None of the knowledge management instruments is suitable for fully capturing the elements discussed in this manuscript (creation, storage/retrieval, transfer, and application). Thus, an instrument will be designed to measure KM, based on these components. The instruments for entrepreneurial mindset and knowledge management will both be pre-tested for content validity using a panel of subject matter experts. Then, a pilot study will be conducted to establish reliability.

Two analytical techniques will be employed to test the proposed relationships. First, multiple regression analysis will determine if knowledge management is a significant predictor of individual creativity. Second, moderated regression analysis will test for significant interaction effects to determine if entrepreneurial mindset moderates the relationship between knowledge management and individual creativity.

DISCUSSION AND CONCLUSION

In an organization, knowledge may be developed over time through effective knowledge management practices. These practices include knowledge creation, knowledge storage/retrieval, knowledge transfer, and knowledge application. In light of the literature reviewed, it is reasonable to suggest that each of these components should influence an individual's creativity level by enabling the generation, acquisition, sharing, and utilization of knowledge, which can instigate original, resourceful ideas. The relationship between knowledge management and creativity, however, should be strengthened by an individual's entrepreneurial mindset which determines how he/she seeks, identifies, pursues, and exploits the opportunities to be creative.

Pina e Cunha (2007) mentions the possibility of deep knowledge developing over the years and tending to lead to "lucky" discoveries. However, as Louis Pasteur stated, this chance only favors the prepared mind (Beveridge, 1957). Thus, effective knowledge management can be a means of knowledge development, and may provide opportunities for new discoveries as well as play a role in the level of creativity an individual possesses. Nevertheless, an entrepreneurial mindset further prepares the individual by allowing him/her to anticipate, recognize, and take advantage of these opportunities when they arise.

IMPLICATIONS AND DIRECTIONS FOR FUTURE INQUIRY

Knowledge management is a process that comprises a number of components, and it is reasonable to suggest that one or more components may be more influential than the others as regards the promotion of creativity. Thus, it would be worthwhile to determine which component of the knowledge management process (creation, storage/retrieval, transfer, or application) is most pertinent or influential to the increase of individual creativity. In this way, for best results in organizations, managers can focus most on developing and implementing the systems that facilitate and promote that component of the knowledge management process within the organization.

Also, longitudinal studies should be conducted to incorporate the time factor when researching the effect of knowledge management on individual creativity. It takes time for people to attain, internalize, and employ new knowledge to furnish creative solutions (Weisberg, 1999). Therefore, influences of knowledge management on individual creativity may be significantly distinguishable only after some time has elapsed.

A contradicting, yet interesting notion is knowledge as a hindrance to creativity. Weisberg (1999) mentioned the assumption that too much experience can leave one "in the ruts," so that one cannot go beyond stereotyped responding. This may be a budding problem to organizations, which profit from the creativity of their employees, and therefore, it warrants further research. Organizations need to recognize when their workers require additional knowledge, as well as discern when to avoid "spoon-feeding" employees and to allow them, instead, to use and build on what they already know to unleash their creative potential.

In addition, effort should be geared toward exploring the possibility of developing or increasing entrepreneurial mindset/spirit in individuals, and attempting to discover the most effective means by which this undertaking can be accomplished. If an entrepreneurial mindset does positively influence individual creativity, and the former can indeed be developed, organizations may invest in ways to cultivate the entrepreneurial orientation of their employees, so that they can reap the benefits of the creative solutions generated.

REFERENCES

Alavi, M., & Leidner, D. E. (2001). Review: Knowledge management and knowledge management systems: Conceptual foundations and research issues. *MIS Quarterly, 25*(1), 107-136.

Amabile, T. (1983). The social psychology of creativity: A componential conceptualization. *Journal of Personality and Social Psychology*, *45*(2), 357-376.

Anastasi, A. (1988). *Psychological testing*. New York, NY: Macmillan.

Arthur, J., & Huntley, C. (2005). Ramping up the organizational learning curve: Assessing the impact of deliberate learning on organizational performance under gainsharing. *Academy of Management Journal*, *48*(6), 1159-1170.

Bass, B.M., & Riggio, R. E. (2006). *Transformational leadership*. New Jersey: Lawrence Erlbaum Associates, Inc.

Bassett-Jones, N. (2005). The Paradox of Diversity Management, Creativity and Innovation. *Creativity and Innovation Management*, *14*(2), 169-175.

Beveridge, W. (1957). *The Art of Scientific Investigation.* New York, NY: W. W. Norton.

Boerner, S., Eisenbeiss, S.A., & Griesser, D. (2007). Follower behavior and organizational performance: The impact of transformational leaders. *Journal of Leadership and Organizational Studies, 13*(3), 15-26.

Chaveerug, A., & Ussahawanitchakit, P. (2008). Learning orientation, innovation capability, and organizational performance in Thai audit firms: Moderating effects of organization climate and uncertainty environment. *Review of Business Research*, *8*(2), 92-102.

Chich-Jen, S., Wang, I., & Fu-Jin, W. (2009). The relationships among cross-cultural management, learning organization, and organizational performance in multinationals. *Social Behavior & Personality: An International Journal*, *37*(1), 15-30.

Choo, C. W., & Bontis, N. (2002). *The strategic management of intellectual capital and organizational knowledge.* New York, NY: Oxford University Press, Inc.

Chou, S. (2005). Knowledge creation: absorptive capacity, organizational mechanisms, and knowledge storage/retrieval capabilities. *Journal of Information Science, 31*(6), 453-465.

Cochran, W.G. (1977). *Sampling Techniques.* New York: John Wiley and Sons.

Covin, J., & Miles, M. (1999). Corporate Entrepreneurship and the Pursuit of Competitive Advantage. *Entrepreneurship: Theory & Practice*, *23*(3), 47-63.

Covin, J. G., & Slevin, D. P. (1989). Strategic management of small firms in hostile and benign environments. *Strategic Management Journal*, *10*(1), 75–87.

Cox, T. H., & Blake, S. (1991). Managing cultural diversity: implications for organizational competitiveness. *Academy of Management Executive*, *5*(3), 45-56.

Datta, P. (2007). An agent-mediated knowledge-in-motion model. *Journal of the Association for Information Systems, 8*(5), 287-311.

De Miranda, P., Aranha, J., & Zardo, J. (2009). Creativity: People, environment and culture, the key elements in its understanding and interpretation. *Science & Public Policy*, *36*(7), 523-535.

Dyduch, W. (2008). Corporate entrepreneurship measurement for improving organizational performance. *Journal of Economics & Management*, *4*, 15-40.

Fentem, A. C., Dumas, A., & McDonnell, J. (1998). Evolving spatial representations to support innovation and the communication of strategic knowledge. *Knowledge-Based Systems*, *11*(7), 417-428.

Florida, R. (2002). *The rise of the creative class and how it's transforming work, leisure, community and everyday life.* New York, NY: Basic Books.

Garcia-Morales, V.J., Matias-Reche, F., & Hurtado-Torres, N. (2008). Influence of transformational leadership on organizational innovation and performance depending on the level of organizational learning in the pharmaceutical sector. *Journal of Organizational Change Management, 21*(2), 188-212.

Gilson, L. L. (2008). Why be creative: A review of the practical outcomes associated with creativity at the individual, group, and organizational levels. In J. Zhou & C. E. Shalley (Eds.), *Handbook of organizational creativity* (pp. 303–322). Mahwah, NJ: Erlbaum.

Grossman, M. (2006). An overview of knowledge management assessment approaches. *Journal of American Academy of Business, Cambridge*, *8*(2), 242-247.

Hack, L. (2003). Even if there is a 'second wave' of the 'New Economy'. *Concepts & Transformation*, *8*(1), 101-116.

Hitt, M. A., Ireland, R. D., Camp, S. M., & Sexton, D. L. (2002). *Strategic entrepreneurship: Creating a new mindset.* Oxford, UK: Blackwell Publishers Ltd.

Ireland, R. D., Hitt, M. A., & Sirmon, D. G. (2003). A model of strategic entrepreneurship: The construct and its dimensions. *Journal of Management*, *29*(6), 963-989.

Kim, K. H. (2006). Can we trust creativity tests? A review of the Torrance Tests of Creative Thinking (TTCT). *Creativity Research Journal*, *18*(1), 3-14.

Kogut, B., & Zander, U. (1992). Knowledge of the firm, combinative capabilities, and the replication of technology. *Organization Science*, *3*(3), 383-397.

Li, Y., Liu, X., Wang, L., Li, M., & Guo, H. (2009). How entrepreneurial orientation moderates the effects of knowledge management on innovation. *Systems Research and Behavioral Science, 26*(6), 645-660.

Lim, S., & Hernandez, P. (2007). The WebQuest: An illustration of instructional technology implementation in MFT training. *Contemporary Family Therapy: An International Journal*, *29*(3), 163-175.

McGrath, R. G., & MacMillan, I. C. (2000). *The entrepreneurial mindset: Strategies for continuously creating opportunity in an age of uncertainty.* Boston, MA: Harvard Business School Press.

Min-Huei, C. (2004). An investigation of the relationship of organizational structure, employee's personality and organizational citizenship behaviors. *Journal of American Academy of Business, 5*(1/2)*,* 428-431.

Nonaka, I., & Takeuchi, H. (1995). *The knowledge creating company: How Japanese companies create the dynamics of innovation.* New York, NY: Oxford University Press, Inc.

Oldham, G. R., & Cummings, A. (1996). Employee creativity: Personal and contextual factors at work. *Academy of Management Journal, 39*(3), 607–634.

Organ, D. W. (1988). *Organizational citizenship behavior: The good soldier syndrome.* Lexington, MA: Lexington Books.

Pablo, A. L., & Javidan, M. (2004). *Mergers and acquisitions: Creating integrative knowledge.* Oxford, UK: Blackwell Publishing Ltd.

Pina e Cunha, M. (2007). Entrepreneurship as decision making: Rational, intuitive and improvisational approaches. *Journal of Enterprising Culture*, *15*(1), 1-20.

Podsakoff, P., & MacKenzie, S. (1997). Impact of Organizational Citizenship Behavior on Organizational Performance: A Review and Suggestion for Future Research. *Human Performance*, *10*(2), 133-151.

Robinson, P., Stimpson, D., Huefner, J., & Hunt, H. (1991). An attitude approach to the prediction of entrepreneurship. *Entrepreneurship: Theory & Practice*, *15*(4), 13-31.

Shalley, C. E., Zhou, J., & Oldham, G. R. (2004). The effects of personal and contextual characteristics on creativity: Where should we go from here? *Journal of Management, 30*(6), 933-958.

Song, M., van der Bij, H., & Weggeman, M. (2005). Determinants of the level of knowledge application: A knowledge-based and information-processing perspective. *Journal of Product Innovation Management*, *22*(5), 430-444.

Wang, C., & Ahmed, P. (2007). Dynamic capabilities: A review and research agenda. *International Journal of Management Reviews*, *9*(1), 31-51.

Wei, X., & Xie, F. (2008). Knowledge management processes and innovation: An empirical analysis of firms in software cluster. *International Journal of Human Resource Development & Management*, *8*(1/2), 25-42.

Weisberg, R. W. (1999). Creativity and knowledge: A challenge to theories. In R. Sternberg (Ed.), *Handbook of creativity* (pp. 226-250). New York, NY: Cambridge University Press.

Whittington, J.L., & Goodwin, V. L. (2001). Transformational leadership, goal difficulty, and task design: independent and interactive effects on employee outcomes. *Academy of Management Proceedings,* K1-K5.

Zahra, S., & Covin, J. (1995). Contextual influences on the corporate entrepreneurship-performance relationship: A longitudinal analysis. *Journal of Business Venturing*, *10*(1), 43-58.

Zhou, J. (2003). When the presence of creative coworkers is related to creativity: Role of supervisor close monitoring, developmental feedback, and creative personality. *Journal of Applied Psychology, 88*(3), 413-422.

INNOVATION IN LARGE CORPORATIONS: A DEVELOPMENT OF THE RUDIMENTARY THEORY OF EFFECTUATION

Erik Svensrud, Norwegian University of Science and Technology
Håvard Åsvoll, Norwegian University of Science and Technology

ABSTRACT

Motivated by the rudimentary theory of effectuation, this theoretical study was conducted in order to develop the theory to encompass effectual innovation in large corporations, and to include the aspect of tacit knowledge and time. We present a theoretical socio dynamic model focusing on the relationship between the use of effectual strategies and the evolution of the value of opportunities over time. We suggest that effectuation processes are valuable for innovation in large corporations, especially in the early stages of the opportunity growth, and that tacit knowledge and time can be important aspects of the effectuation strategies.

INTRODUCTION

"Prediction is very difficult, especially about the future." These words were made famous by the Danish physicist Niels Bohr (1885 - 1962), but it is not only in physics that prediction has been a subject of interest. For business in general (Davis & Karim, 2008; Jaimovich & Rebelo, 2009), and innovation processes in particular (Christensen, Anthony, & Roth, 2004; Tellis, 2006), being able to predict the future is regarded as an essential capacity. The underlying logic is rather simple; if you know how the future will evolve, you can gain the upper hand over competitors, and as a result, success is a probable outcome (Christensen & Raynor, 2003). Without stating whether prediction is possible in absolute terms, it has been proposed that prediction today is even harder to perform than before (Sarasvathy, 2001). One prominent argument for this is the fact that "business all over the world is becoming more free-market oriented and more entrepreneurial" (Sarasvathy, 2001: 244). Consequent difficulties in prediction have led to the development of a reciprocal theory to the well established strategy of predictive rationality (Kotler, 1991), namely effectuation. The rationale of effectuation is that to the extent to which we can control the future, we don't have to predict it. When following an effectuation process, focus is concentrated on the given set of means, rather than striving to achieve a particular effect. However, this theory has been developed almost entirely from the entrepreneurial perspective and little has been done to develop this theory so that it accommodates innovation in large corporations. Recognizing this point, Dew & Sarasvathy, (2002:20) have argued that: "One of the more fertile areas for research based on the theory of effectuation will involve large corporations and the commercialization of new technologies that they create"

Motivated by the rudimentary theory of effectuation this paper aims to support the evolution of this theory such that it encompasses the perspective of large corporations and their innovations. In particular the paper aims to develop a new model of effectuation theory through examining the question of whether innovation managers in large corporations should use effectuation strategies in their innovation projects, and if so, how they should be used. Further the influence of tacit knowledge and time on innovation projects is also investigated as these are posited as elements influencing effectuation theory.

We believe that this research will contribute to a better theoretical understanding of the effectuation processes in innovation and entrepreneurial management in large corporations. The models presented will help innovation managers to better understand the nature of effectuation, thereby improving their ability to manage in their innovation projects. The outcome of this process is a model for innovation projects which gives the value of effectuation as a function of time. In addition, this function is compared to the contrasting theory of causation, which rests on the logic of prediction. A comparison to the employment of effectuation processes for a standalone entrepreneurial start-up, where the advantages of effectuation processes already has been proposed (Dew & Sarasvathy, 2002; Sarasvathy, 2001), will also be presented. Based on this model it is suggested that effectuation processes are of significant importance for large corporations. However, in large corporations, according to the model, the intermixture of causation processes should be higher, and the point of time where causation processes are more valuable than effectuation processes occurs somewhat earlier in the growth of an opportunity than for an entrepreneurial start-up. Moreover, large corporations should promote and utilize tacit knowledge held by the employees, as a driving force for opportunity creating. In addition, we propose that gut feeling should be internalized and developed when innovation managers in large corporations evaluate opportunities. Finally, in innovation projects, time should be managed in a more subjective manner than when operating production to ensure optimized growth conditions for the opportunities, and the challenges concerning timing can be overcome by launching more opportunities to the market, but in a cost efficient way.

There now follows a presentation of a theoretical framework covering essential topics. Then, a presentation and argumentation of the socio dynamic model chosen is given. Finally, a discussion regarding the fundamentals behind effectuation theory and some subsequent concluding remarks including tentative propositions for further research will be presented.

THEORETICAL MOTIVATION AND REFLECTION

A theoretical foundation is needed to assure a thorough understanding of the concepts and topics presented later in this article. The framework and the topics presented here are a result of theoretical reflection. Moreover, we are trying to support some gaps and links between the literature of strategic management for large corporations and effectuation theories within the field of entrepreneurship which indicate potential for theory development. What we found was that the majority of previous studies and theories concerning effectuation and opportunities were researched from an entrepreneurial perspective. Even though propositions for the role of effectuation processes have been advanced at the level of the firm (Sarasvathy, 2001) and it has been stated that "effectuation is not just for small, start up firms – it can be applied to large firms and economies as well" (Dew & Sarasvathy, 2002: 19), little research has been conducted in relation to determining how effectuation processes effects innovation in large corporations (Dew et al., 2002).

The link between corporate management strategy and effectuation is often not considered, because a key feature in the research emphasizes the advantages of the analytical separation between invention and commercialization (Teece 1988) or between exploration and exploitation (March 1991), even though it is realized that the two functions cannot be empirically separated (Teece 2006: 1137). Empirical studies are rare, but there exists models which theoretically state that entrepreneurial opportunity-seeking is at the same time also strategic behavior with the aim of value creation (Ireland, Hitt, & Simon 2003; Ramachandran, Mukherji, & Sud 2006). Also Meyer & Heppard (2000) remark that the two fields are mutual constitutive and inseparable, since the research results of the one cannot fully be understood without the other (Barney & Arikan, 2001). Hence, entrepreneurially orientation is not just about sporadic periods of action; rather it needs to be a regular and systematic part of a firm's behavior (Smith & Gregorio 2000; Ireland, Covin, & Kuratko, 2009). The underlying logic is that entrepreneurial actions and strategic actions can independently contribute to value creation, and they can contribute even more when they are integrated. In summary, even though there is a general agreement regarding the positive effects entrepreneurship has on firms' efforts for creating wealth (Lyon, Lumpkin & Dess 2000), it seems that the intersection between these two research fields has been largely left uncovered. However, Wiltbank, Dew, Sarasvathy and Read (2009) have formulated some connections on how expert entrepreneurs use effectual logic to conceptualize the creation of new markets, i.e. they do not give the particulars about how managers in larger enterprises might use strategies of effectuation. This research is linked to the Schumpeterian tradition focusing on exploring the relationship between marked structure and innovation, and is not related to internal decisions within strategy management.

In lack of established research, we discuss two areas of the management strategy literature that intersect in a particularly interesting way with the literature on effectuation theory. Integrating the notions of tacit knowledge, gut feeling, dynamic capabilities and time into research on effectuation would add an important dimension to the effectuation theory literature and provide a useful and interesting way of explaining the role of managers involved in effectuation at different levels of analysis. We are not arguing that these are the only, or even the best, connections. Our goal is to show that there are important synergies between the two literatures that can contribute to our understanding of effectuation in strategic organizations. This can strengthen one interesting contribution to the theory of effectuation, i.e. that managers in large firms also use effectual strategies and tacit skills in a context where most managers are familiar with prediction.

We would like to increase the sharpness and the focus with regard to the managers' understanding and their use of the tacit and dynamic nature of gut feeling and time. These are elements which we consider to be important but relatively unexplored and under-communicated in the research on effectuation.

Furthermore, during this reflective work, two additional sub-questions came into being. These are: "how does the aspect of time affect innovation in large corporations?", and "how does the aspect of tacit knowledge affect innovation in large corporations?" These two sub questions give an interesting insight into both the main question and the theory of effectuation as a whole.

Even though it has been stated that tacit knowledge is a very important element of opportunity processes (Nonaka & Takeuchi, 1995), little has been done in order to explore how this knowledge can be utilized for large organizations to improve their innovation processes, and even less has been discussed with regards to intertwining this with theories of effectuation. In conformity with this, literature on how the aspect of time affects opportunity practice in large corporations are scarce, even though the importance of this interlink has been demonstrated in multiple studies (Harryson, 2005; Stalk Jr, 1988).

If the claim that ordinary management effectiveness is not the only source of superior entrepreneurial performance and competitive advantage in large corporations, then it is possible to assume that there is a significant rare, tacit, non-imitable and intangible skill which has the potential to support entrepreneurial management and effectual skills. One important implication from this inference is that the managerial skills of gut feeling and timing are difficult to obtain, imitate and apply, and may be a very important strategic issue. Altogether, this sums up into the four topics of opportunities, effectuation, tacit knowledge, and the aspect of time.

Opportunities

The term opportunity, in the entrepreneurial context, has been objected to a vast number of definitions but there is still little agreement to be found concerning its nature and definition. (Hansen & Shrader, 2007). Since 1990, four articles have worked to find consensus concerning the term (Hansen & Shrader, 2007; Kirzner, 1997; Short, Ketchen Jr, Shook, & Ireland, 2010; Venkataraman, 1997). One of the most dominating definition of opportunity is the one presented by Eckhardt and Shane (2003: 336): "situations in which new goods, services, raw materials, markets and organizing methods can be introduced through the formation of new means, ends, or mean-ends relationship." Similar to how Alvarez and Busenitz (2001) think of entrepreneurship theory, finding a common definition of opportunity is not the end, but rather the means to an end. A large number of definitions say something about the importance of opportunities, or as formulated by Short et al. (2010: 1) "without an opportunity, there is no entrepreneurship."

Historically, there have been two dominant views of the opportunity construct: the discovered and the created (Alvarez & Barney, 2007). As proposed by Shane (2000), these two different views are most probably a continuation of the legacy between the two dominant, and distinct, fundamental entrepreneurial theories of the Schumpeterian framework of creative destruction (Schumpeter, 1942) and the Austrian Economics of market disequilibrium (Kirzner, 1973). The core of creative destruction can be described by entrepreneurship as the result of introducing new opportunities to the market, thus bringing the market into disequilibrium. Whereas the Austrian economics, lead by Kirzner (1973), propose that the role of the entrepreneur is finding "holes" in the market equilibrium, hence bringing the market from disequilibrium to equilibrium. Thus, opportunity creation can be seen as a Schumpeterian approach, where the entrepreneur creates opportunities; opportunities which are not already present. On the other hand, opportunity discovery can be understood as opportunities that already exist, and the role of the entrepreneur is finding these. Previous research about the topic has comprised risk and uncertainty into the different views of opportunity. Here, risk refers to a situation where estimates for the probability can be achieved, whereas uncertainty refers to situations where probabilities cannot be found (Knight, 1921). This considered, the different views of opportunities can be defined as: opportunity creation – "where the entrepreneur creates both supply and demand"; and opportunity discovery – "where a known supply services an unknown demand" (Short, et al., 2010: 19). In addition, following this model, a third view of opportunity has also been proposed. This view, which can be seen as a nuance of the view of discovery, is called opportunity recognition – "where known products are matched with existing demand" (Short, et al., 2010: 19). Here, the term "product" is used in a wider context, including elements of products such as goods, services, raw materials, markets and organizing methods. Miller (2007) proposes that for opportunity recognition, risk is bounded to asymmetric information and unpredictability. For opportunity discovery processes, where search is the essential entrepreneurial activity, risk is bounded to unknownability. Whereas for opportunity creation, where the entrepreneur has a causal role in bringing the opportunity into being; the risk is constrained by uncontrollability. The concept of effectuation is located within the perspective of creation.

Effectuation

In a broader sense, effectuation can be seen as a philosophy. It can be described as logic for understanding the future as something unpredictable. However, by enacting on this unpredictable future, control can be obtained. In entrepreneurial literature, effectuation is seen as a useful logic for entrepreneurs with limited resources (Sarasvathy, 2001). By definition "effectuation processes take a set of means as given and focus on selecting between possible effects that can be created with that set of means" (Sarasvathy, 2001: 245). Sarasvathy exemplifies this by using the case of an artist. By following an effectuation process, the artist can paint anything he or she wants (possible effects), given the means of a blank canvas and some paints (set of means). This given, the fundamental of this theory is rudimentary, based on a core of four principles (Sarasvathy, 2001):

1. Affordable loss rather than expected returns: An effectuator's object is to create prospective options rather than maximize returns in the present.

2. Strategic alliances rather than competitive analyses: Effectuators attempt to reduce uncertainty and remove entry barriers by following this principle.

3. Exploitation of contingencies rather than exploitation of preexisting knowledge: Giving an unpredictable future, preexisting knowledge is of less value than what exploitation of contingencies involves.

4. Controlling an unpredictable future rather than predicting an uncertain one: Again, giving an unpredictable future, focusing on the means of controlling the future is a better choice than doing predictions of an unpredictable future.

Effectuation is not in principle meant as a replacement for predictive rationality, but exists in parallel to it. Both rationality and effectuation are necessary for the undertaking of decisions and action (Dew & Sarasvathy, 2002). A constraint with today's rudimentary theory of effectuation is its point of view. The theory has been developed more or less with respect to the entrepreneurial position.

On the contrary, causation is the theory of following predictive rationality. "Causation processes take a particular effect as given and focus on selecting between means to create that effect" (Sarasvathy, 2001: 245). To proceed with the artist example, by following a causation process, the artist has received instruction on what to paint (particular effect) and he or she can then select between different canvases and paint (means to create that effect) to create that painting.

There has been research performed to support the rudimentary theory of effectuation. One of the most supporting studies is a comparison between 27 expert entrepreneurs and 37 MBA students (Dew, Read, Sarasvathy, & Wiltbank, 2009). Here, both groups were asked to think of a given case about building a new venture around an imaginary product. The results showed that the two groups were strongly and starkly opposed to each other considering their reasoning. The expert entrepreneurs followed effectual thinking whereas the MBA students used textbook procedures in causational thinking.

A variety of published articles and books focus on the logic of effectuation in depth. For example Sarasvathy (2001) have laid out fundamental assumptions and important theoretical principles and concepts. Further research has been done with regard to the dynamics and transformative aspects of effectuation (Sarasvathy and Dew 2005; Sarasvathy, Dew, Read and Wiltbank 2010). The logic of effectuation is also elaborated upon and applied to various degrees in such areas as expert entrepreneurs (Read and Sarasvathy, 2005; Sarasvathy 1998; Dew, Read, Sarasvathy and Wiltbank 2009), opportunity creation (Alvarez and Barney 2007; Miller 2007; Sarasvathy, Dew, Velamuri and Venkataraman 2002), entrepreneurial education (Fiet 2000), corporate entrepreneurship and (top)management strategies (Augier and Sarasvathy 2004, Sarasvathy and Kotha 2003); Pacheco, York, Dean, and Sarasvathy, 2010). This is an inconclusive and short overview of the written work of effectuation in order to identify the logic as an emerging, multifaceted and empirical persuasive theme.

Tacit Knowledge

Tacit knowledge is a broad concept of knowledge generally referring to the fact that some knowledge is profoundly actionable and harder to externalize than other. There exists many definitions of tacit knowledge which differ with regard to the degrees of tacitness and capacity to articulate, its embodied or cognitive nature, and its subjective (individual, I) or objective (collective, tradition based) dimensions. The tacit aspects of individual knowledge are not necessarily publicly available except as embodied in people to be hired, and the tacit aspects of collective knowledge are woven into the very fabric of an organization and cannot easily be imitated. This is a valid general statement of tacit knowledge, but there is not enough space to handle the myriad of all of these definitions in greater detail (see Gourlay 2006 for further elaboration). However, it seems relatively clear that tacit knowledge has shown to be of great importance for opportunities and innovation. For example in a research done by Nonaka and Takeuchi (1995), where they looked at why Japanese corporations have a talent for innovation, their conclusion was that Japanese corporations were more inclined to value tacit knowledge compared to their American counterparts. It seems like a supported claim that tacit knowledge is made visible through its application and may then be utilized in the innovation process (Leonhard and Sensiper 1998). Howells (1996) emphasizes that learning is particularly crucial in relation to acquiring tacit knowledge, which may explain why tacit knowledge is often explained as an intangible asset or hard to imitate dynamic capability. Research show that tacit knowledge is gained throughout the innovation and production chain of a company. In fact, several authors assume that tacit knowledge is a unique strategic resource and a source of competitive advantage (Göranzon and Florin, 1990; Gøranzon, 1993; Black and Boal, 1994; Nonaka and Takeuchi, 1995; Howells, 1996; Teece, Pisano, and Shuen 1994, 1997; Choo, 1998; Baumard, 1999; Scharmer, 2000; Ambrosini & Bowman, 2001; Johannessen et al., 2001), even though they have different views on how this should be done.

Michael Polanyi is, by a majority of authors, regarded as the founder of tacit knowledge (Ambrosini & Bowman, 2001; Nonaka & Takeuchi 1995). He has described tacit knowledge as a reconsideration of human knowledge by starting from the fact that "we can know more than we can tell" (Polanyi, 1967: 4). On the contrary, explicit knowledge is knowledge that can be externalized in a formal language (Nonaka & Takeuchi, 1995). Due to the dynamic character of tacit knowing (Polanyi 1962), the perspective of tacit knowledge is conceptualized as tacit knowing. The rationale behind this alteration can more precisely be defined by Polanyi (1969: 132) where he states that "knowledge is an activity which would be better described as a process of knowing". One example in explaining the nature of tacit knowledge is the blind man and his rod (Polanyi, 1962). A blind man using a rod is not focused on the stick, but the meaning of what the rod touches. The rod itself is internalized and a part of the action in gaining the explicit knowledge of the physical reality. When the person focuses on his rod, he is no longer using it to get meaning from the physical world. A true understanding of the rod-in-action can only be gained from using it. The proficiency needed here cannot be fully articulated or communicated in a requisite manner, it has to be experienced and executed. The most important aspects of tacit knowing are shown by our skilled performance, it is displayed and manifested in what we do. Hence, tacit knowledge's modus operandi is not always to be ordered, operationalised, converted and externalized (cf. Nonaka & Takeuchi 1995), but to be the other actionable side of theoretical knowledge. Given the actionable and sometimes non explicit nature of tacit knowledge, finding a way to convert this knowledge is important for corporations who want to capitalize on it (Nonaka, Toyama, & Konno, 2000). In brief, the interaction and conversion between explicit knowledge and tacit knowledge can be achieved according to the SECI process. This process proposes that there are four modes of knowledge conversion: socialization; externalization; combination; and internalization. The socialization mode implies that tacit knowledge can be converted to new tacit knowledge through shared experiences and socialization. An externalization process implies articulating tacit knowledge into an explicit form, allowing it to be shared to others. This is a valuable process in terms of laying the foundations for new knowledge, or to cite Nonaka et al. (2000: 9) "when tacit knowledge is made explicit, knowledge is crystallized". The other two modes in the SECI model are about converting explicit knowledge into new explicit knowledge (combination) and embodying explicit knowledge into tacit knowledge (internalization).

While Nonaka and Takeuchi (1995) seem to propose a main strategy; that tacit knowledge should be made explicit through a different mechanism for exchanging knowledge (by using metaphors, analogies, models etc.), it is important to be aware that not all tacit knowledge can be made explicit and externalized in this manner.

This is an understanding of tacit knowledge which is also shared by Johannessen's (2006; Åsvoll and Widding 2011) view of tacit knowing. Tacit knowing can be described by its three aspects: the propositional knowledge; the knowledge of skills; and the knowledge of familiarity (Johannesen 2006). According to Johannessen (2006: 268), characteristics of propositional knowledge are that "our knowledge must be capable of formulation in some language or other", and that "our linguistically articulated knowledge must be supported by experience or be proven by formal means". Thus, this tacit knowledge ought to be articulated in some way. For the second dimension, the knowledge of skills, the actionable aspect of knowledge is taken into account. To exemplify this, Polanyi (1959) points out that an expert within the field of medicine not only needs special connoisseurship for identifying particular specimen, but also need special skills for examining. The aspects of art or craft have also been recognized as part of this knowledge. The last aspect of tacit knowledge is the familiarity based, which is founded on firsthand experience. Finding analogies and likenesses between various settings and situations are qualities that characterize this dimension of tacit knowledge. This perspective (Johannessen 2006; Åsvoll and Widding 2011) states that all our knowledge (tacit and explicit) can be exercised in practice, and that there's a lot more to knowledge than fits into propositional or converted knowledge.

Hence, tacit knowledge can also be differentiated by its degree of tacitness (Ambrosini & Bowman, 2001). Here, the scope of tacit skills (Ambrosini (2001) proposes that the expression "tacit knowledge" should be replaced by "tacit skills", hence skills implying doing) is dispersed between two anchor points, from easily communicated to totally unavailable skills in terms of articulation and theorization. In-between these anchors, the tacitness can further be categorized into "tacit skills that can be imperfectly articulated" and "tacit skills that could be articulated" (Ambrosini & Bowman, 2001: 816).

Gut Feeling

A special form of tacit and displayed knowledge, gut feeling, will now be handled in greater detail. Gut feeling is a vague concept, susceptible for explanation. Though vague in definition, it is an important property for entrepreneurial activity (Busenitz & Barney, 1997; Hills & Shrader, 1998). The concept of gut feeling is in a close relation with both intuition (Khatri & Ng, 2000), and biases and heuristics (Maqsood, Finegan, & Walker, 2004). Gut feeling can be seen as a non rational decision process, but as a senior manager of a computer company noted:

> Although people think that 'gut feeling' is not a rational decision making method, many people fail to realize that 'gut-feeling' is actually a sub-conscious derivative of the accumulation of years of management experience. (...) It is, therefore, important that decision making be based on a combination of relevant information and 'gut-feeling'. (Khatri & Ng, 2000: 22)

The usage of gut feeling for making decisions is especially of great value in entrepreneurship. This is because entrepreneurs often hold limited information about their business idea (Gartner, Bird, & Starr, 1992) and their decisions can seldom be based on historical trends (Miller & Frierson, 1984). Adding to the fact that they don't have the luxury of becoming expert decision makers within a specific area (Gilmore & Kazanjian, 1989), and the uncertainty and complexity often typical of an entrepreneurial context, simplifying strategies for making decisions are needed. (Busenitz & Barney, 1997). This rationale for making entrepreneurial decisions can be justified by the concept of bounded rationality first introduced by Simon (1957). According to this concept, the human's cognitive abilities are limited by three factors: limited information sensing ability; limited information processing capacity; and limited information storage capacity (Simon, 1957). Thus, making optimal choices by employing a strict, rigid procedure of rationality is somewhat not possible. Hence, other means like heuristics and gut feeling, are ways to overcome these barriers, and still make a satisfactory decision (Krosnick, 1991).

Aspect of Time

"The driving force of our rapid innovation is the conviction that if we lose money we can always recover, but if we lose time we can't." (Harryson, 2005). These words, from the former chairman and founder of Sony Corporation, Akio Morita, point out the importance of the aspect of time in innovation practice. As a strategic weapon, time is as important as money, productivity, quality, and even innovation (Stalk Jr, 1988). Even though it is acknowledged that time is an important factor in innovation and opportunity practice, little literature is found in how this factor should be treated.

Objective time, also referred to as actual time, is the time measured with a standard clock (Hornik, 1984). In terms of strategy, Taylorism is one of the first theories conceptualizing objective time in labor processes (Littler, 1978). Taylor introduced this theory in the USA in the 1880/90s. The goal was to increase the efficiency of production, and he believed in the original stupidity of the worker (Littler, 1978). As a mean to reach this goal, he introduced very strict time frames for each task handled by the employees. In this way, time was then seen upon as something absolute. In contradistinction to this, subjective time is the time perceived by individuals (Hornik, 1984). This given, time can been seen upon as something relative. Eriksen (1999) refers to subjective time as linear in an elastic manner, or something cyclic. A subjective perception of time can be theorized and exemplified by Arthur Schopenhauer's theory that our perception of the time length of a day changes according to our age. For instance, one day for a boy aged ten is perceived twice as long as for one aged twenty (Eriksen, 1999). Some objectives, like achieving trust, cannot be reached within a certain timeframe. In this case, a given timeframe will be irrelevant. In an opportunity context it has been said, in contrast with Taylorism and the objective of speed and efficiency, that:

> In today's working life, the speed of production and productivity is less congruent than ever before. In many relations, the inventiveness is far more important for productivity than the speed of production, and inventiveness requires generally

another type of time economy than what you will find in time management. (translated) (Eriksen, 1999: 241)

In entrepreneurship theory, the aspect of time is found in close relation with the stages of growth for a new venture, and since 1962, there have been introduced more than 100 different models of business stages (Levie & Lichtenstein, 2009). According to Levie and Lichtenstein (2009), the most cited model is Greiner's (1972). Here, the most essential element in building a model of organization development is the age of the organization. Dependent on the growth rate of the industry an organization operates in, it will develop through five different phases: creativity; direction; delegation; coordination; and collaboration. This given, the model interweave time as a subjective element of the different phases of organizational growth. However, the approach of dividing organizational growth into different stages has been criticized with the argument that since company growth is a continuous process, dividing it into discrete phases is artificial (Baron & Shane, 2007). In opposition with the business stage view, where resources must be allocated, combined, ordered and sold/bought due to a time schedule in order to create a competitive advantage, the dynamic capability framework defines resources/capabilities as built over time and firm-specific.

Dynamic Capability View

Rudimentary efforts are made to identify the aspects of manager-specific dynamic capabilities that can be sources of competitive advantage. Dynamic capabilities are useful in confirming the origin of advantages and in explaining the capabilities and unique abilities of existing enterprises to respond to their rapidly changing environment (Teece et al., 1994, 1997). Even though such concepts are often viewed as outside the traditional boundaries of strategy, we consider that dynamic capabilities can be seen as an emerging and potentially integrative approach to understanding under-researched sources of competitive advantage and effectual strategies. We refer to the 'dynamic capabilities' approach in order to stress the theoretical foundation for how the firm/manager can be seen as utilizing tacit knowing, gut feeling and effectuation in the exploiting and renewing of existing internal and external firm specific capabilities/skills. The dynamic capability view emphasizes that dynamic capabilities of a firm depend on both its ability to identify strategic opportunities and its ability to change the structure of the firm to better exploit those opportunities (Teece et al, 2002: 92). Therefore, dynamic capabilities are the firm's ability in the processes of firm integration, reconfiguration, renewal, learning, and response mechanisms (Teece 2007). Examples of dynamic capabilities are product development, strategic decision making, and alliance management (Eisenhardt and Martin, 2000). This approach emphasizes the development of management capabilities, and difficult-to-imitate skills (for example organizational, functional and technological skills) in order to respond to events and create financial success. A central theoretical concern is that "maintaining dynamic capabilities thus requires entrepreneurial management " (Teece 2007: 1346), which involves understanding the knowledge dynamics that underpin capability development. In this way dynamic capabilities can help with overcoming the limits of modeling strategy, emphasizing the efficiency characterized by a static resource/knowledge based framework.

The effectuation framework does not explain how to sustain competitive advantage in large firms, hence it originally does not reflect upon how the entrepreneur/manager handles structural and organizational issues in order to achieve competitive advantage. The dynamic capability view can be seen to embrace several capacities and distinct skills; (1) to sense and shape opportunities and threats, (2) to seize opportunities, and (3) to maintain competitiveness through enhancing, combining, protecting, and, when necessary, reconfiguring the business enterprise's intangible and tangible assets (Teece 2007). Hence, there are different micro foundations of dynamic capabilities: the processes, procedures, organizational structures, decision rules, and disciplines (Teece 2007), which we cannot address in this paper. We recognize the importance of all these micro foundations and we believe they could fit well into the effectual framework, but due to space limits here we focus just on entrepreneurial management (dynamic) skills to sense and shape opportunities and the importance of strategic alliances.

The dynamic capability view focuses on the relation between competitive advantages and how the firms'/manager's idiosyncratic and difficult-to-trade capabilities are renewed and generated (Teece et.al 1997). For example, the manager can be more or less skilled to perform opportunity detection, creation and strategic alliances. In the dynamic capability literature there is substantial research on these issues; i.e. the decisions of strategic alternatives (Teece et.al. 1997), evaluations of ideas (Zollo &Winter 2002), the top management strategic decision making (Eisenhardt & Martin 2000), alliances with R & D institutions, external co-operation (Teece et.al. 1997) and learning network capabilities (Borch & Madsen 2007). A minor issue has been the nature or aspects of knowledge, even though Teece et al. (1994) were one of the first to raise the question about the potential benefits of tacit knowledge.

It is stated that often it is not possible to convert tacit knowledge to codified knowledge especially with regard to original skilled performance (Teece 1976,; Teece et.al. 1997), which may be executed by the managers gut feeling. Gut feeling can be considered as a tacit know-how capability which can mainly be displayed by skilled performance without in -situ being captured or translated into theoretical knowledge and knowledge bases.

Integrating effectuation, gut feeling, tacit knowing and dynamic capabilities may shed light on important common denominators. Four characteristics which denote the common denominators between these theoretical concepts may be that these are skills which rests on the subject/entrepreneurial manager, it's difficult to imitate, timing and actionable nature.

To stress the value that can arise from effectual innovation both gut-feeling, tacit know-how and dynamic capabilities share the same qualities, i.e. that there are some aspects with effectual decisions which are idiosyncratic, personal, difficult to trade, hard to imitate and intangible. Hence, these rare aspects carried by the entrepreneurial manager are of strategic importance, because any capability or skill which, due to its homogenous nature, can be replicated or bought and sold may not be strategic (cf. Barney, 1986). Also Porter (1996) claims that operational effectiveness (capabilities) is not essential to strategy.

Indeed, if tacit aspects such as gut feeling, dynamic capabilities and timing are interconnected with the execution of effectual skills, it follows that effectual strategies become profound strategic issues at the level of the firm/ entrepreneurial manager. Here, it's possible to clarify some of the distinctions between the firm and entrepreneurial manager. Teece (2007) states that dynamic capabilities reside in large measure with the enterprise's top management team, but maintaining dynamic capabilities thus requires entrepreneurial management. It may be that the entrepreneurial manager is deprived of the innovative opportunity unless the project has been initiated by the top management. It is also a potential problem that ambitious innovation champions do not possess networks and lacks the power to persuade organizational members to join the innovative project. Therefore it seems important to achieve a shared understanding and 'strategic fit' between top management and entrepreneurial management, if the effectual skills should result in competitive advantage.

This study's contribution is found in filling the theoretical gaps here stated, by building a theoretical model that can be conducive to enhance the understanding of opportunity practice, both at the level of research and at the level of the firm. The "building blocks" for the forthcoming discussion and model consist of this theoretical reflection, which contributes in terms of foundation and focus. These "building blocks" have been presented in previous sections, and they will henceforth be used to ensure more persuasive arguments and to eventually build a more robust theoretical model. A model founded on elements of socio dynamics, a procedure to be elaborated in the following section.

ELEMENTS OF SOCIO DYNAMICS

Before proceeding to the discussion, some explanatory descriptions of sociodynamics will be given. This said, "sociodynamics aims at providing a frame of theoretical concepts for designing mathematical models for a broad class of dynamical phenomena within human society" (Weidlich, 2005: 45). Modeling complex, non-linear social systems implies both challenges and rather large simplifications. Whilst keeping these limitations in mind, we will hereby take an experimental approach in describing some social dynamics pseudo mathematically. The rationale behind doing this is the fact that this will contribute in building a depiction of how the pillars of effectutation theory evolve over time. The principal result of this discussion will be found in the shape of a model, not in the underlying mathematical expressions. Further rationalization for this approach is the fact that "we need new insights into the factual microeconomic behavior of economic agents by methods of humanities, cognitive and social sciences, which are sometimes called 'experimental economics'" (Mainzer, 2009: 219).

Furthermore, giving that the forerunner of modern socio dynamics, the Austrian economist Joseph F. Schumpeter (Mainzer, 2009), used this approach for modern entrepreneurship theories has shown the relevance of intertwining these elements.

As introduced, the biggest concern about using this procedure is the rough simplification involved here. The use of only two dependent variables, as to be explained, is a simplification of the reality. One of the major pros however, is found in how the arguments are structured and built. By using this kind of model building, this will be a rational exercise examining all the contributions and testing each one of them, both for improvement and validation. Hereby, we propose that as a starting-point for developing an existing theory into new areas, this method is purposive.

DISCUSSION

For the forthcoming discussion, two different dimensions will be employed. Hence value of opportunity/innovation practice (v) in a large corporation (vertical axes), and subjective time (t) of internal venture growth (horizontal axis). These dimensions are made mathematical dimensionless where t spans from 0 (where an opportunity comes into being) to 1 (a fully integrated and exploited opportunity), and v spans from 0 (no value for the opportunity practice) to 1 (maximum value for the opportunity practice).

Affordable Loss

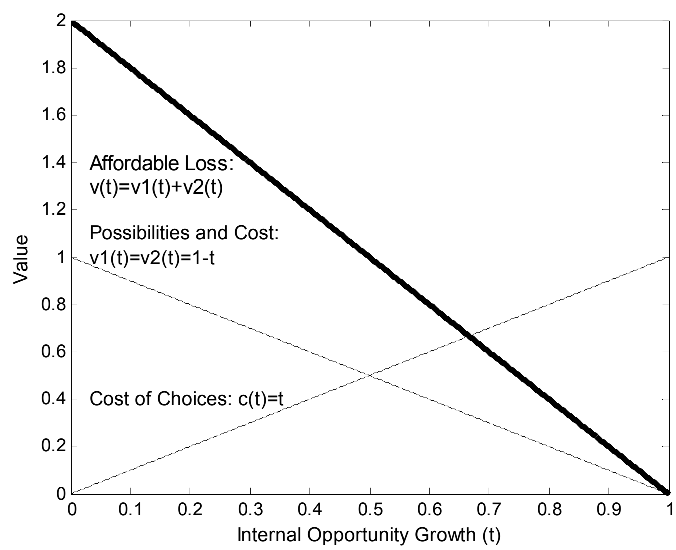
The principle of affordable loss is to choose prospective options rather than maximize returns in the present. The essential here is then to make choices that you can afford to lose, and that will create more options for the future. In innovation processes, some costs will always be present when doing choices. These costs however, will be quite small in the beginning of a new venture compared with costs related to choice making in later stages. This can be showed by the resource commitment versus time graph which says that the resource commitment, here referred to as cost (c), increase proportional with the time spent for a venture (Tidd & Bessant, 2009). As a consequence, it is reasonable to assume that the value, following the affordable loss principle, will decrease proportionally, from maximum value at $t = 0$, to the time spent for a venture, due to the growth of costs. In mathematical terms, this can be converted to the following formula: $c(t) = t$, and $v1(t) = 1-t$, which denotes the opposite of the growth of the resource commitment. Although the principle of affordable loss in creating more options for the future, models like the innovation funnel (Tidd & Bessant, 2009) propose that in an innovation process the result of making a choice is a decrease in the scope of choices.

According to the funnel analogy, maximum choices can be made at $t = 0$, and when the opportunity is fully integrated and exploited, the relative number of choices can be approximated to zero. This effect has also been referred to as path dependency (Alvarez & Busenitz, 2001).

The value of following the principle of affordable losses is directly related to this. The reason for this is that it will be less valuable looking for new choices when the absolute number of choices you can choose from decreases for each choice completed. In mathematical terms this is equal to: $v2(t) = 1\text{-}t$. The theoretical reflections in this study may evince support for the affordable loss principle. When the firm can afford to lose and end innovation project before they get too expensive, then they may be more able to preserve and develop unique tacit firm-specific skills which are a main source of competitive advantage in accordance with the tacit knowing view (Åsvoll & Widding 2011) and the dynamic capability view (Teece et.al 1997).

Summing up the contributions from $v1(t)$ and $v2(t)$ gives the following expression, $v(t) = v1(t)+v2(t) = 2\text{-}2t$, as here shown graphically:

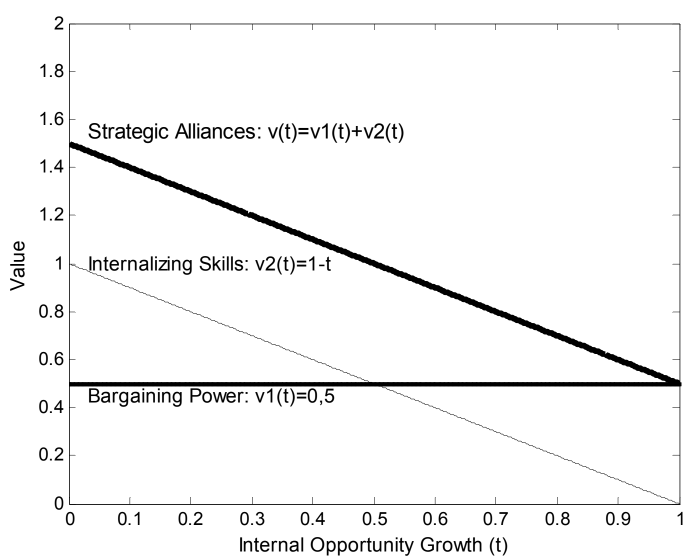
Figure 1: Value of the Principle of Affordable Loss



Strategic Alliances

It has been stated that there are two mechanisms for how you can extract value from a strategic alliance: by bargaining over economic benefits from successful execution of joint tasks; and by internalizing skills from partners (Hamel, 1991). In this respect, a following in how these mechanisms evolve; from an initial opportunity to a fully integrated competitive advantage, will here be conducted. To evaluate the first mechanism, bargaining over economic benefits, we will look into how bargain power between two strategic alliance actors develops dynamically. In brief, “bargaining power at any point in time with an alliance is, *cetris paribus*, a function of who needs whom the most” (Hamel, 1991: 100). The rationale behind this statement is; if you have little to offer, you will be less attractive, thus being an object for lower bargain power, than if you have much to offer. Transferring this to the development of a new opportunity in a large corporation, the internal venture will most probably have more to offer, and as a result of this, obtain more bargain power in the latter phases than in the early stages. This can be supported by entrepreneurial research that has shown how relatively small firms have a much larger interest in creating strategic alliances than relatively larger firms have (Gomes-Casseres, 1997). One particular reason for this is that small firms can then build public confidence and a good reputation just by being in alliance with a large established actor (Stuart, 2000). However, by being an internal corporate venture, you will profit from the already established reputation of the corporate, and if the corporation is large enough, it is reasonable to approximate this reputation to be constant, regardless of the internal corporate venture's actions. Mathematically, this can be denoted, given an average reputation of the firm, by the following: $v1(t) = 0.5$. The evolvement of the second mechanism is more dynamic in nature. Here, the value extracted is found in internalizing the skills from the partners. Given skills as the practical aspect of knowledge (Polanyi 1969; Åsvoll & Widding 2011), the extraction will then be in attracting and internalizing unknown valuable knowledge from the alliance. As this internal venture grows, more knowledge, both tacit and explicit, will be gained, hence building the internal knowledge reservoir and achieving competitive advantage (Widding, 2005). Based on this increase of knowledge reservoirs, it is reasonable to believe that the value of strategic alliances for the internal venture will decrease proportionately with the growth. Mathematically, this can be described by the following: $v2(t) = 1-t$. To summarize, the value of a strategic alliance of an internal venture in a large corporation is the sum of bargaining over economic benefits, as proposed to be constant over the growth, and internalizing the skills from the partners, as proposed negatively proportional with the growth. Mathematically, this can be described by the following: $v(t) = v1(t)+v2(t) = 1.5-t$, as here depicted:

Figure 2: Value of Strategic Alliances

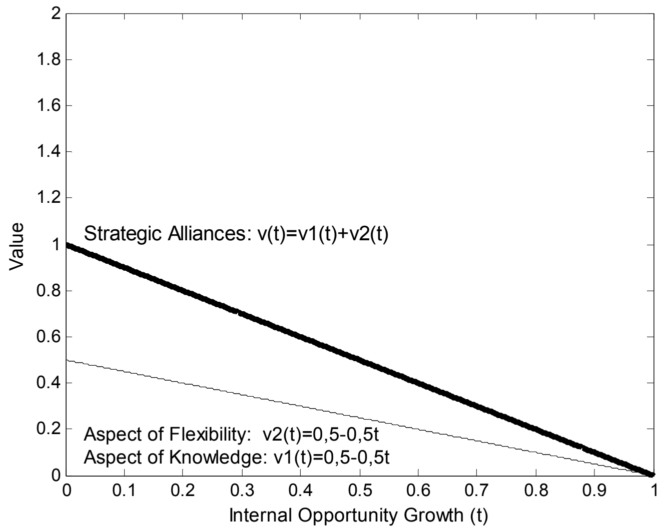


One way of validating this is by looking into previous research. This has shown that there have been alliances formed at higher rates in emergent-stage markets than in mature-stage markets (Eisenhardt & Bird Schoonhoven, 1996), and that “young and small firms benefit more from large and innovative strategic alliance partners than do old and large organizations” (Stuart, 2000: 791).

Exploitation of Contingencies

As stated in the theory section, exploitation of contingencies should be considered rather than exploitation of preexisting knowledge when the future is unpredictable. To evaluate if, and when, this priority is valuable for a large corporation, finding the underlying elements for this statement has to be done. We propose that the two characteristics which constitute this statement are the aspect of knowledge and the aspect of flexibility. Preexisting knowledge is important as the counterpart of exploiting contingencies, and will hereby be evaluated with respect to internal opportunity growth. As mentioned as one of the rationales behind evaluating the value of strategic alliances, we will here consider the growth of the knowledge reservoir (Widding, 2005). But instead of acknowledging the knowledge reservoir as a proportional growth from something next to nothing at the origin of an opportunity, the argument here is that the growth of an opportunity in a large corporation already has a head start compared to their entrepreneurial counterparts. The reason for this is that a large corporation will most probably pursue opportunities that are found within their already present activity or strategy, or at most daring, at the rim of this. This supports the argument that if a large corporation chooses to pursue an opportunity, some knowledge and core competencies (Prahalad & Hamel, 1990) concerning the opportunity would most probably already be present in the corporation. This head start is here expressed by a mathematical factor of 0.5 into the mathematical knowledge function: $v1(t) = 0.5\text{-}0.5t$. This shows that the value of exploiting contingencies due to the elements of knowledge and competencies is initially quite high, before, as a consequence of building these reservoirs and capabilities, the value will decrease. The second characteristic, the aspect of flexibility, is concerning the ability to exploit contingencies. In juxtaposition to the rationale behind evaluating affordable loss in large corporations, the path dependency resulting from pursuing an opportunity (Alvarez & Busenitz, 2001) will decrease flexibility over time. Thus, this leads to that the maximum flexibility of an internal opportunity pursuit is found initially. But, in contrast to an entrepreneurial start-up, this flexibility is rather dampened due to the corporate strategy, which puts restrictions on the extension of the flexibility. This dampening is here denoted mathematically with the starting point of 0.5 (and not 1, as the case of no restrictions to the initial flexibility). Hence, giving the flexibility function of: $v2(t) = 0.5\text{-}0.5t$. Combined, this gives the function: $v(t) = v1(t)+v2(t) = 1\text{-}t$.

Figure 3: Value of Exploiting Contingencies



The hazard of focusing on preexisting knowledge in an opportunity setting also concerns about bringing in an expert too early when pursuing an opportunity. The reason for this is the expert's natural stance of defending his/her reputation and preexisting knowledge.

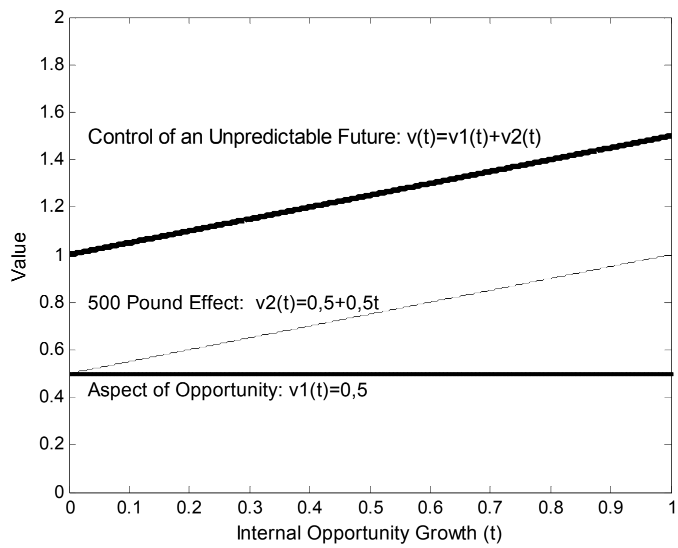
Control of an Unpredictable Future

Sarasvathy's logic for controlling an unpredictable future rather than trying to predict the future is: "to the extent that we can control the future, we do not need to predict it" (2001: 252). In our perspective, the aspect of controlling the future and predicting the future are not contradictory, they are on equal footing. The difference here is the kind of opportunities they are approaching: the created; or the discovered (Shane, 2000). The discovered approach is related to the Austrian Economic School of finding "holes" in the market equilibrium (Kirzner, 1973). Prediction, we propose, is a pro active way of finding these future "holes", thus an activity only accountable for the opportunities to be discovered.

Controlling the future however, is about making (and taking) a position before it is possible to predict and thereby creating an opportunity which in the next turn contributes to disturbances in the market equilibrium. This said the approach of controlling the future is only accountable for the opportunities to be created. If making an assumption that the created opportunities are of equal importance as the discovered, we can hereby propose that the value of controlling an unpredictable future, confined to the opportunity aspect, accounts for half of the total value of opportunities regardless of time. In mathematical terms this gives the function: $v1(t) = 0.5$. In addition, we will here suggest a dynamic contribution to this forth element of the rudimentary theory of effectuation, which we have chosen to call the *500 pound* effect.

So by growing bigger in a certain market you will gain more power, which in next turn will contribute to an increased ability to control this market in the future. However, by already being present in a large corporation, you will have a head start. This head start will here be presented as a factor of 0.5, and the value of control will grow with the opportunity, thus giving the following equation: $v2(t) = 0.5+0.5t$. Together, $v1(t)$ and $v2(t)$ account for the value of controlling the future: $v(t) = 1+0.5t$, as here depicted:

Figure 4: Value of Controlling an Unpredictable Future



Note the upward trend of the value of controlling an unpredictable future due to the opportunity growth. This is an opposite trend compared to the three other figures earlier presented, and contributes to the rationale of employing effectuation processes in larger corporations, which weakens Sarasvathy's (2001) link between the effectuation's given set of means and the underlying logic of control. The underlying assumption for the value of controlling was the simplification in the valuation of the discovered and created view of opportunities. Whereas the present theories (Christensen, et al., 2004) are backing prediction and the value of discovered opportunities, we will hereby propose that the value gained from created opportunities can be even more valuable. The rationale behind this proposal starts with Knight's definition of risk and uncertainty (1921). The role of the entrepreneur is to change situations from uncertainty to risk. By doing this, an entrepreneur can capitalize on taking decisions based on quantifiable probabilities rather than non-quantifiable probabilities (Miller, 2007). According to Short (2010), for created opportunities, both supply and demand is unknown, whereas for discovered opportunities, only the demand is unknown. Thus, the value added from entrepreneurial activities will then be higher for opportunity creation than for opportunity discovery. Moreover, earlier research has shown that exploitation of enacted opportunities is more likely to be a source of sustained competitive advantage than exploration of those formed by imperfections to pre-existing industries or markets (Barney, 1986). This given, the line concerning the aspect of opportunity could be raised due to the sometimes higher valuation of created opportunities. However, as a result of absent evidence and the simplicity of the model, this has not been conducted in this study.

Building a Model

The four principles which constitute the rudimentary theory of effectuation have now been evaluated. The result of this will now be combined into one model which will depict the value of using effectuation processes when pursuing an opportunity within a large corporation. Before presenting this model, the underlying assumptions will here be summarized. Because, as stated earlier in the discussion, this is a rather simplified model, so knowing the assumptions is crucial to be able to evaluate its constraints.

1. All four principles which constitute the effectuation theory are weighted equally.

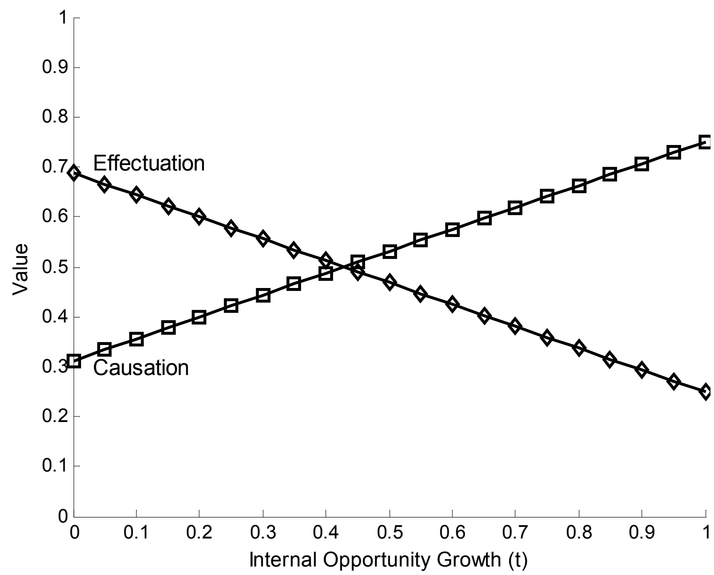
2. The underlying evaluations of these principles are treated as either non-existent, constant, or as a 1st order function of the opportunity growth.

3. The underlying evaluations of these principles are treated only between the two conditions of: the point in time where an opportunity comes into being; and at the point in time where the opportunity is fully integrated and exploited by a large corporation.

4. Effectuation processes and causation processes have been juxtaposed as a dichotomy to enable clearer theoretical exposition (Sarasvathy, 2001).

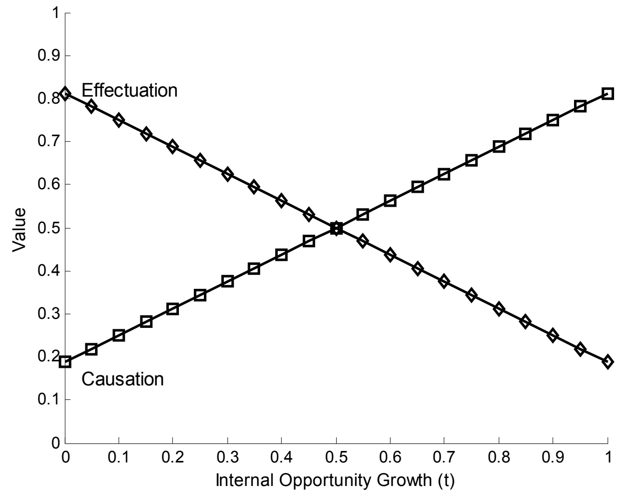
The forthcoming model is a sum of the four principles evaluated by value between 0 (no value) and 1 (maximum value), and according to opportunity growth from 0 (where an opportunity comes into being) and 1 (a fully integrated and exploited opportunity):

Figure 5: Evaluation of Effectuation and Causation in Large Corporations



Here, the result is depicted showing value of both effectuation and causation processes. According to assumption IV, the value of causation follows is calculated: $v_c(t) = 1\text{-}v_e(t)$, where the subscript c and e denotes causation and effectuation respectively. An interpretation of this figure shows that the value of following effectuation processes is greatest at the initiation of the opportunity. During the growth of the opportunity, the value of these processes will decrease, and as a consequence of this, following causation processes seems more adequate. At the intersection between these lines, which occurs almost halfway through the lifespan of an internal opportunity, there is a shift where the management of the opportunity should change strategy, from explorative effectual activities to more predictive causation based activities. This shift can also be interpreted such that it points out where the corporation should change the manager for the opportunity, from an effectual entrepreneurial type to a causational predictive controller type. Even though some persons hold both these characteristics, it might be useful for a corporation to at least evaluate such a shift of the opportunity manager at this point. To give further insight of this model, a comparison of how this model would be without the influences a large corporation have on an opportunity will here be given. In order to show this, modification concerning the effects of: the established reputation; the present knowledge and competencies; the dampening of flexibility; and the *500 pound effect*, within a large corporation have to be adjusted to an entrepreneurial context as here depicted:

Figure 6: Evaluation of Effectuation and Causation in Start-ups



A comparison between these two figures shows two distinct differences, hence the higher initial value of effectuation and the later intersection point. This gives that it is more valuable for an opportunity in a start-up company to utilize effectuation processes in the early stages than the case of an opportunity in a large corporation. In addition, a start-up company should employ effectuation processes (as the main focus) for a longer period of time than for an opportunity in a large corporation. In spite of this, the differences are just slight, which means that the opportunity strategy for a large corporation should not differ too much from the strategy of a start-up, and vice versa. An interesting remark is that the *500 pound effect* actually makes the two models, the start-up's perspective and the large corporation's perspective, more equal.

Aspect of Tacit Knowledge

The difficulties of being big and innovative at the same time have both been indicated by earlier research, "it [sustained product innovation in large, mature organizations] occurred in spite of the system, not because of it" (Dougherty & Hardy, 1996: 1121). To overcome these difficulties, we believe large corporations should better preserve the tacit knowledge, or better be aware of the actionable aspect of tacit knowing (Polanyi 1969; Åsvoll & Widding 2011), held by their employees. By identifying those who have the best qualities of tacit knowing, especially regarding the dimension of skills, and giving these individuals the chance (or even incentives) to pursue opportunities, innovation can then happen because of the system, not in spite of it. The theoretical reflection stresses the importance of competent entrepreneurial managers, having the 'right' gut feeling. Experts however, could be seen as too defensive, not willing to broaden their scope for new inputs. In addition, tacit knowing in wielding both chaos and control were seen as a valuable skill. It is reasonable to presume that the recognition of these modes of tacit knowing are associated with the opportunity desired. If you hold the right gut feeling and a willingness to operate in chaos, we assume you will be more likely to create opportunities, rather than discovering them. The underlying argument for this is the Weickian–Marchian–Knightian problem, stated by Sarasvathy and Simon (2000) as:

> Where do we find rationality when the environment does not independently influence outcomes or even rules of the game (Weick, 1979), the future is truly unpredictable (Knight, 1921), and the decision maker is unsure of his/her own references (March, 1982)?

By using the rationale of tacit knowing obtained by the employees, a large corporation can then be able to overcome this problem, thus take a position in the "suicide quadrant". This denotes the space where both the market and product are completely new (Sarasvathy, 2003), and as a consequence of taking this rather unique position; achieve value and competitive advantage.

The "suicide quadrant" is also the suitable position for effectuation processes (Sarasvathy, 2003). We believe this, to a certain extent, is concerned with rationality and uncertainty. The larger amount of uncertainty, typical for the "suicide quadrant", the less will the value of common rationality and knowledge be. If this is true, how can you then perform rational actions? It has been claimed that effectuation is not based on irrationality (Dew & Sarasvathy, 2002), however little has been said about knowledge in this context. We assume that an underlying reason for the rationality is the aspect of tacit knowing. Moreover, when dealing with uncertainty, explicit knowledge is absent, and rationality is therefore tied to heuristics and comparative cognitive analysis. In these situations, gut feeling can be interpreted as the result of tacit knowing, and consequently, this can be of use when making decisions. According to this, we propose that gut feeling should be used and developed when entrepreneurial managers in large corporations evaluate opportunities.

Aspect of Time

If entrepreneurial managers don't talk much about time in terms of months and years, maybe this indicates their subjective perception of innovation projects. This may coincide with present theories of opportunity and the concept of time. The perception of objective time, as pushed to the extremes by Taylorism, is suitable for maximizing the efficiency of production (Littler, 1978). We suggest that this is bounded to uncertainty. Given a production line, the uncertainty of the process can be approximated as nonexistent. For an opportunity process however, uncertainty will be present. Since objective time is not optimized in handling uncertainty, time should rather be perceived in a subjective manner. In terms of organizational structure, there is a conflict in the aspect of time. A large corporation, which often has a rigid organization structure, wants to operate objective time, whereas the innovation department will utilize time as subjective (Ulvenes, 1997). Based on this underlying conflict, we propose that the innovation department in large corporations should be partially separated from the corporate strategy. In this way, the entities can apprehend the aspect of time in the most beneficial manner and maximize the processes of both productivity and opportunities.

Regarding the model of effectuation processes, time should be comprehended as subjective. It is reasonable to believe that for opportunity practices, it is more advantageous to look at time as a various factor, extending from initially explosive (Ulvenes, 1997), to objective when fully exploited and integrated. As a consequence, it is not the function of the model in figure 5 which is important, it is the shape. This shape can be contracted or extended depending on how time is perceived during the opportunity growth. Finally, theoretical reflections have shown that timing is a difficult part of innovation in large firms. But, by being partially separated from corporate strategy, we claim that the innovation department should increase their portfolio of potential opportunities, do an early phase development without high investments, and withdraw those not encountering positive feedback. In this way, the absolute number of successes will be higher, and the downside of those not succeeding will not be too costly.

CONCLUDING REMARKS

We will now come with some concluding remarks regarding this study in general; and for the discussion in particular. The purpose of this study is to answer the theoretical based questions stated introductorily. Based on the discussion, six propositions have been made, together constituting the main findings. The first two propositions are given at the level of research, better defined in the development of the theory of effectuation. The four succeeding propositions are given at the level of the firm, mainly addressed to innovation managers in large corporations. These propositions are not fixed, but are purposive as contributions to the mentioned levels. Having this said, the following propositions are offered at the level of research.

Proposition 1: *Effectuation processes are almost as important for opportunity practice in large corporations as for start-ups.*

The fact that many large corporations gain competitive advantage through a better connection and balance between invention/exploration and innovation/exploitation (cf. March 1991; Teece et.al. 1997), indicate the value of effectuation processes in large companies.

Proposition 2: *The value of effectuation processes in large corporations is decreasing with the growth of an opportunity; from initially highly valuable, to a shift halfway through the growth* *where causation- and effectuation processes are of equality, before ending up as less valuable when the opportunity is fully integrated and exploited.*

If this effectuation and causation dichotomy is true or taken for granted by researchers conducting research within each of these separated views (i.e. strategic management vs. entrepreneurship), then maybe it is harder to reconceptualise more holistically that over a period of time large companies can accomplish feats involving both processes of opportunity practice. The next four propositions are offered at the level of the firm.

Proposition 3: *The qualities of the entrepreneurial manager of an opportunity in a large corporation should be evaluated during the growth of the opportunity. Since effectuation qualities are of most value initially, whereas causation qualities are most valuable at the latter phases, a shift in the management modus operandi could be expedient.*

The underlying reasoning we advance is the claim that effectuation and predictive rationality are two distinct forms of rational action. Hence, rationality depends on the context and if the entrepreneurial/innovation manager is using effectual skills and logic it means that it should be the rational way to proceed. And if the entrepreneurial manager is using prediction it also must be considered the rational mode of action. But if effectuation is used when prediction is efficient and vice versa, there is a lack of logic.

Proposition 4: *To overcome the difficulties of being big and innovative at same time, large corporations should identify those employees having extensive tacit knowledge, especially regarding the dimension of skills and attitude, and let these pave the way in identifying, discovering, creating, and exploiting opportunities.*

Tacit knowing which is unique and rare cannot be easily imitated. Hence, tacit knowledge can represent a competitive advantage (Alvarez & Busenitz 2001; Ambrosini & Bowman 2001). Because tacit knowledge may be critical in the exploration of effectual opportunities, firms should aim at finding who is capable of entrepreneurial management decision for forming efficient effectuation.

Proposition 5: *Gut feeling should be developed, and evaluated to the same extent as other selection criteria, when entrepreneurial* *managers in large corporations evaluate opportunities; especially those holding a large amount of uncertainty.*

This proposition rests on the theoretical insight that tacit knowledge is also a form of 'here and now' actionable knowing (gut feeling) which can, if taken seriously, be of strategic value highly relevant for the success of innovation projects (Johannessen 2006; Teece et.al 1997; Åsvoll & Widding 2011).

Proposition 6: *Large corporations should be more experimental in their opportunity practice to assure a higher number of successes, and especially to overcome the difficulties of timing. Instead of providing for a few expensive bets, they should arrange for more cost effective ones.*

In theory, we have suggested that a given objective timeframe often set by business and stage gate approaches will be irrelevant if not subjective perceived tacit or dynamic skills are developed and used in order to gain competitive advantage. To ensure that a sustainable amount of innovation successes can be achieved and timed in a proper way, costs should not be put solely onto few expensive projects led by top management, but rather rest on the subjective perception and judgment of the entrepreneurial manager involved in several cost effective effectual based projects. This means that time also should be considered in a subjective, cyclic and experience based manner (Eriksen 1999), especially with regard to innovation projects.

Finally, we would comment how this study has influenced the rudimentary theory of effectuation. Based on a socio dynamic model and supporting theories, this study has broadened the scope of effectuation by including its applicability to large corporations as well as to the entrepreneur. In addition, the resulting model indicates that for an opportunity process, there is not an all or nothing situation. Both effectuation- and causation processes are interweaving; and it is the relative relationship between these two evaluated against the opportunity growth which is of interest. In addition, this study demonstrates that tacit knowledge and the aspect of time are elements that should be considered and included when dealing with effectuation processes.

FURTHER RESEARCH

Most importantly, further research should be engaged in testing the validity of the model presented in this study. This said, there is especially the internal and construct validity that should be of uttermost focus. Has this study measured what it was intended to do? Moreover, a larger survey would give more generalized results than here achieved. This also accounts for further development of the theory of effectuation, which in our perspective lacks a more robust empirical foundation.

In this study, the evaluation of effectuation, and consequently causation, has been measured by the parameter "value". This is a rather broad concept, and the strength of this variable is questionable. Finding a more concise and strong variable, or several ones, is interesting for further research. As a last element of further interest, the underlying rationale behind the fourth principle of effectuation, namely "control of an unpredictable future, rather than prediction of an uncertain one" (Sarasvathy, 2001: 259), has been of question in this study. A thorough evaluation, both empirical and theoretically, should give answers to this, thus contributing in strengthening the theory of effectuation, and as a result, making it more logically consistent and empirical robust.

REFERENCES

Alvarez, S., & Barney, J. B. (2008). Toward a creation theory of entrepreneurial opportunity formation. Retrieved October 8, 2010 from http://www.runonthebank.net/drotb.php?f=Creation%20Theory.doc

Alvarez, S. A., & Barney, J. B. (2007). Discovery and creation: Alternative theories of entrepreneurial action. *Strategic Entrepreneurship Journal, 1*(1-2), 33-48.

Alvarez, S. A., & Busenitz, L. W. (2001). The entrepreneurship of resource-based theory. *Journal of Management, 27*(6), 755-775.

Ambrosini, V., & Bowman, C. (2001). Tacit knowledge: Some suggestions for operationalization. *The Journal of Management Studies, 38*(6), 811-829.

Augier, M. Sarasvathy, S. D. (2004). Integrating evolution, cognition, and design: Extending 'Simonian' perspectives to strategic organization. *Strategic Organization*, *2*(2), 169-204.

Barney, J. B. (1986). Strategic factor markets: Expectations, luck, and business strategy. *Management Science, 32*(10), 1231-1241.

Barney, J. B., & Arikan, A. M. (2001). The resource-based view: Origins and implications. In M. A. Hitt, R. F. Freeman,&J. S. Harrison (Eds.), *Handbook of strategic management*: (pp.124–188) Oxford: Blackwell Publishers.

Baron, R. A., & Shane, S. (2007). *Entrepreneurship: A process perspective*. Mason, OH: South-Western.

Baumard, P. (1999). *Tacit knowledge in organization*, London & Thousand Oaks: Sage

Black, J.A. og K.B. Boal (1994). Strategic Resources: Traits, configurations and paths to sustainable competitive advantage. *Strategic Management Journal, 15*, 131–148.

Borch, O.J. & Madsen, E.L. (2007). Dynamic capabilities facilitating innovative strategies in SMEs. *International Journal of Technoentrepreneurship, 1*(1), *109–125.*

Busenitz, L. W., & Barney, J. B. (1997). Differences between entrepreneurs and managers in large organizations: Biases and heuristics in strategic decision-making. *Journal of Business Venturing, 12*(1), 9-30.

Choo, C.W. (1998) *The knowing organization: how organizations use information to construct meaning*. New York, Oxford: Oxford University Press.

Christensen, C. M., Anthony, S. D., & Roth, E. A. (2004). *Seeing what's next:Using theories of innovation to predict industry change*. Boston: Harvard Business School Press.

Christensen, C. M., & Raynor, M. (2003). *The innovator's solution: Creating and sustaining successful growth*. Boston: Harvard Business School Press.

Davis, E. P., & Karim, D. (2008). Comparing early warning systems for banking crises. *Journal of Financial Stability, 4*(2), 89-120.

Dew, N., & Sarasvathy, S. (2002). What effectuation is not: Further development of an alternative to rational choice. Presented at the *2002 Academy of Management Conference*.

Dew, N., Read, S., Sarasvathy, S., & Wiltbank, R. (2009). Effectual versus predictive logics in entrepreneurial decision-making: Differences between experts and novices. *Journal of Business Venturing, 24*(4), 287-309.

Dougherty, D., & Hardy, C. (1996). Sustained product innovation in large, mature organizations: Overcoming innovation-to-organization problems. *The Academy of Management Journal, 39*(5), 1120-1153.

Eckhardt, J. T., & Shane, S. A. (2003). Opportunities and entrepreneurship. *Journal of Management, 29*(3), 333-349.

Eisenhardt, K. M., & Bird Schoonhoven, C. (1996). Resource-based view of strategic alliance formation: Strategic and social effects in entrepreneurial firms. *Organization Science, 7*(2), 136-150.

Eisenhardt, K, Martin J. (2000). Dynamic capabilities: what are they? *Strategic Management Journal*, October–November Special Issue 21: 1105–1121.

Eriksen, T. B. (1999). *Tidens historie*. Oslo, Norway: J. M. Stenersen Forlag AS.

Fiet, J.O. (2000). The Theoretical Side of Teaching Entrepreneurship. *Journal of Business Venturing*, *16*, 1-24.

Gartner, W. B., Bird, B. J., & Starr, J. A. (1992). Acting as if: Differentiating entrepreneurial from organizational behavior. *Entrepreneurship Theory and Practice, 16*(3), 13-31.

Gilmore, T. N., & Kazanjian, R. K. (1989). Clarifying decision making in high-growth ventures: The use of responsibility charting. *Journal of Business Venturing, 4*(1), 69-83.

Gomes-Casseres, B. (1997). Alliance strategies of small firms. *Small Business Economics, 9*(1), 33-44.

Goranzon B. (1993) *The practical intellect: computers and skills*. London: Springer.

Gourlay, S. N. (2006). Towards conceptual clarity concerning 'tacit knowledge': a review of empirical studies, *Knowledge Management Research and Practice, 4*(1), 60-69.

Greiner, L. E. (1972). Evolution and revolution as organizations grow. *Harvard Business Review, 50*, 37-46.

(Göranzon & Florin 1990). *Artificial Intelligence, Culture and Language: On Education and Work*' (Eds.). B. Göranzon & M. Florin. London: Springer.

Hamel, G. (1991). Competition for competence and inter-partner learning within international strategic alliances. *Strategic Management Journal, 12*, 83-103.

Hansen, D. J., & Shrader, R. (2007). Opportunity: An 11-letter word (summary) *Frontiers of Entrepreneurship Research, 27*(17), 1.

Harryson, S. (2005). The Japanese know-who based model of innovation management-Reducing risk at high speed. In C. Herstatt, H. Tschirky, A. Nagahira & C. Stockstrom (Eds.), *Management of Technology and Innovation in Japan* . Wiesbaden, Germany: Springer Publishers.

Hart, D. N., & Gregor, S. (2005). *Information systems foundations: Constructing and criticising*. Canberra, Australia: Australian National University.

Hills, G. E., & Shrader, R. C. (1998). Successful entrepreneurs' insights into opportunity recognition. In P.D. Reynolds et al. (Eds.), *Frontiers of entrepreneurship research* (pp.30–43). Wellsley, MA: Babson College.

Hornik, J. (1984). Subjective vs. objective time measures: A note on the perception of time in consumer behavior. *The Journal of Consumer Research, 11*(1), 615-618.

Howells, J. (1996). Tacit Knowledge, Innovation and Technology Transfer. *Technology Analysis & Strategic Management, 8*(2), 91-106.

Ireland, R., Covin, J., & Kuratko, D. (2009). Conceptualizing corporate entrepreneurship strategy. *Entrepreneurship: Theory and Practice, 33,* 19-46.

Ireland, R. D., Hitt, M. A., & Sirmon, D. G. (2003). A model of strategic entrepreneurship: The construct and its dimensions. *Journal of Management, 29*: 1-26.

Jaimovich, N., & Rebelo, S. (2009). Can news about the future drive the business cycle? *The American Economic Review, 99*(4), 1097-1118.

Johannessen, K. S. (1988). The concept of practice in Wittgenstein's later philosophy. *Inquiry, 31*(3), 357-369.

Johannessen, K. S. (2006). *Rule-following, intransitive understanding and tacit knowledge: An investigation of the Wittgensteinian concept of practice as regards tacit knowing*. West Sussex, UK: John Wiley and Sons.

Johannessen, J. A., Olaisen, J. and Olsen, B. (2001) Mismanagement of tacit knowledge: the importance of tacit knowledge, the danger of information technology, and what to do about it. *International Journal of Information Management, 21*, 3-20.

Khatri, N., & Ng, H. A. (2000). The role of intuition in strategic decision making. *Human Relations, 53*(1), 57-86.

Kirzner, I. M. (1973). *Competition and entrepreneurship*. Chicago: University of Chicago Press.

Kirzner, I. M. (1997). Entrepreneurial discovery and the competitive market process: An Austrian approach. *Journal of Economic Literature, 35*(1), 60-85.

Knight, F. H. (1921). *Risk, uncertainty and profit*. Chicago: University of Chicago Press.

Kotler, P. (1991). *Marketing management; analysis, planning, implemention and control*. New Jersey: Prentice-Hall.

Krosnick, J. A. (1991). Response strategies for coping with the cognitive demands of attitude measures in surveys. *Applied cognitive psychology, 5*(3), 213-236.

Leonard, D. & Sensiper, S. (1998). The role of tacit knowledge in group innovation. *California Management Review, 40*(3), 112-132.

Levie, J., & Lichtenstein, B. B. (2009). A final assessment of stages theory: Introducing a dynamic states approach to entrepreneurship. *Entrepreneurship Theory and Practice*, Retrieved November 22, 2010 from http://www.management.umb.edu/faculty/workingpaper/lichtenstein_ben/DynamicStates_ETP_Jun09.pdf

Littler, C. R. (1978). Understanding Taylorism. *The British Journal of Sociology, 29*(2), 185-202.

Lyon, D. W., Lumpkin, G. T., & Dess, G. G. (2000). Enhancing entrepreneurial orientation research: Operationalizing and measuring a key strategic decision process. *Journal of Management, 26*, 1055-1085.

MacMillan, I. C., Siegel, R., & Subba Narasimha, P. N. (1985). Criteria used by venture capitalists to evaluate new venture proposals. *Journal of Business Venturing, 1*(1), 119-128.

Mainzer, K. (2009). Challenges of complexity in the 21st century. An interdisciplinary introduction. *European Review, 17*(2), 219-236.

Maqsood, T., Finegan, A., & Walker, D. (2004). Biases and heuristics in judgment and decision making: The dark side of tacit knowledge. *Issues in Informing Science and Information Technology, 1*, 295-301.

March, J. G. (1982). The technology of foolishness. In J. G. March & J. P. Olsen (Eds.), *Ambiguity and choice in organizations*. Bergen, Norway: Universitetsforlaget.

March JG. 1991. Exploration and exploitation in organizational learning. *Organizational Science, 2*(1), 71–87.

Meyer, G.D. & Heppard, K.A. (2000). *Entrepreneurship as strategy*. Thousand Oaks, CA: Sage Publications.

Miller, D., & Frierson, P. H. (1984). *Organizations: A quantum view*. New Jersey: Prentice Hall.

Miller, K. D. (2007). Risk and rationality in entrepreneurial processes. *Strategic Entrepreneurship Journal, 1*(1-2), 57-74.

Nonaka, I., & Takeuchi, H. (1995). *The knowledge-creating company: How Japanese companies create the dynamics of innovation*. New York: Oxford University Press.

Nonaka, I., Toyama, R., & Konno, N. (2000). SECI, ba and leadership: A unified model of dynamic knowledge creation. *Long Range Planning, 33*(1), 1-31.

Pacheco, D. F., York, J. G., Dean, T. J. and Sarasvathy, S. D. Forthcoming (2010). *The co-evolution of institutional entrepreneurship: A tale of two theories. Journal of Management.*

Polanyi, M. (1959). *The study of man*. Chicago: University of Chicago Press.

Polanyi, M. (1962). Tacit knowing: Its bearing on some problems of philosophy. *Reviews of Modern Physics, 34*(4), 601-616.

Polanyi, M. (1967). *The tacit dimension*. London, UK: Routledge & Kegan Paul.

Polanyi, M. (1969). *Knowing and being: Essays*. Chicago: University of Chicago Press.

Porter M. (1996). What is strategy? *Harvard Business Review, 74*(6), 61–80.

Prahalad, C. K., & Hamel, G. (1990). The core competence of the corporation. *Harvard Business Review, 68*(3), 79-91.

Ramachandran, J., Mukherji, S., & Sud, M. (2006). Strategic Entrepreneurship in a Globalising Economy: Evidence from Emerging Economies. *IIMB Management Review, 28*(3), 291-302.

Sarasvathy, S. D. (2001). Causation and effectuation: Toward a theoretical shift from economic inevitability to entrepreneurial contingency. *The Academy of Management Review, 26*(2), 243-263.

Sarasvathy, S. D. (2003). Entrepreneurship as a science of the artificial. *Journal of Economic Psychology, 24*(2), 203-220.

Sarasvathy, S. D., & Dew, N. (2005). New market creation through transformation. *Journal of Evolutionary Economics, 15*(5), 533-565.

Sarasvathy, S. D., Dew, N., Velamuri, R. & S. Venkataraman (2002). Three Views of Entrepreneurial Opportunity, In (Eds.) Audretsch & Acs, *International Handbook of Entrepreneurship* (pp. 141-160). Kluwer: Boston.

Sarasvathy, S. D. & Kotha, S. (2001) *Dealing with Knightian uncertainty in the new economy: The Real Networks case,* In *Research on Management and Entrepreneurship* (pp. 31-62). John Butler, Series Editor, IAP Inc. Greenwich.

Sarasvathy, S. D., & Read, S. (2005). Knowing what to do and doing what you know: Effectuation as a form of entrepreneurial expertise. *Journal of Private Equity 9*(1): 45-62.

Sarasvathy, S. D., & Simon, H. A. (2000). Near decomposability, effectuation, and the speed of growth of entrepreneurial firms. Paper presented at the *first annual technology entrepreneurship research policy conference*.

Sarasvathy, S. D., Dew N., Read, S. and Wiltbank, R. (2010). On the entrepreneurial genesis of new markets: Effectual transformations versus causal search and selection. *Journal of Evolutionary Economics*. 1-23.

Scharmer, C.O. (2000). Organizing around not-yet-embodied knowledge. In: von Krogh, G., Nonaka, I. and Nichiguchi, T., (Eds.) *Knowledge Creation. A source of value* (pp. 13-60). Basingstoke and London: Macmillan Press

Schumpeter, J. A. (1942). *Capitalism, socialism, and democracy*. New York: Harper.

Shane, S. (2000). Prior knowledge and the discovery of entrepreneurial opportunities. *Organization Science, 11*(4), 448-469.

Short, J. C., Ketchen Jr, D. J., Shook, C. L., & Ireland, R. D. (2010). The concept of "opportunity" in entrepreneurship research: Past accomplishments and future challenges. *Journal of Management, 36*(1), 40-65.

Simon, H. A. (1957). *Models of man: Social and rational*. New York: Wiley

Smith, K. G., & De Gregorio, D. (2000). Bisociation, discovery and the role of entrepreneurial action. In *Strategic Entrepreneurship: Creating a New Integrated Mindset*. Hitt MA, Ireland RD, Camp SM, Sexton DL (Eds.). Blackwell: Oxford

Stalk Jr, G. (1988). Time - The next source of competitive advantage. *Harvard Business Review, 66*, 41-51.

Stuart, T. E. (2000). Interorganizational alliances and the performance of firms: A study of growth and innovation rates in a high-technology industry. *Strategic Management Journal, 21*(8), 791-811.

Sudek, R. (2006). Angel investment criteria. *Journal of Small Business Strategy, 17*(2), 89-103.

Teece DJ. (1976). *Vertical Integration and Vertical Divestiture in the U.S. Oil Industry*. Stanford University Institute for Energy Studies: Stanford, CA.

Teece, DJ. (1988). Technological change and the nature of the enterprise. In: G. Dosi, C. Freeman, R. Nelson, G. Silverberg and L. Soete, (Eds.), *Technical Change and Economic Theory* (pp. 256-281). Pinter, London.

Teece DJ, Pisano G. (1994). The dynamic capabilities of firms: An introduction. *Industrial and Corporate Change 3*(3): 537-556.

Teece DJ, Pisano G, Shuen A. (1997). Dynamic capabilities and strategic management. *Strategic Management Journal 18*(7): 537-533.

Teece DJ, Pisano G. Boerner C. (2002). Dynamic capabilities, competence, and the behavioral theory of the firm. In Essays in Honor of Richard M. Cyert, Augier M, March JG. (Eds.), *The Economics of Choice, Change and Organization.* Edward Elgar.

Teece, DJ. (2006) "Reflections on 'Profiting from Innovation'". *Research Policy, 35*(8), 1131-1146.

Teece, DJ. (2007). Explicating Dynamic Capabilities: The Nature and Microfoundations of (Sustainable) Enterprise Performance. *Strategic Management Journal, 28*(13), 1319-1350.

Tellis, G. J. (2006). Disruptive technology or visionary leadership? *Journal of Product Innovation Management, 23*(1), 34-38.

Tidd, J., & Bessant, J. (2009). *Managing innovation: integrating technological, market and organizational change*. Chichester, UK: Wiley.

Ulvenes, Å. (1997). *Tid i rigide og fleksible organisasjoner*. Oslo, Norway: Cappelen Akademisk Forlag.

Venkataraman, S. (1997). The distinctive domain of entrepreneurship research. *Advances in Entrepreneurship, Firm Emergence and Growth, 3*, 119-138.

Warren, C. A. B. (2001). Qualitative Interviewing. In J. F. Gubrium & J. A. Holstein (Eds.), *Handbooks of Interview Research: Context and Method*. London, UK: Thousand Oaks.

Weick, K. E. (1979). *The social psychology of organizing*. Reading, MA: Addison-Wesley.

Weidlich, W. (2005). Thirty years of sociodynamics. An integrated strategy of modelling in the social sciences: Applications to migration and urban evolution. *Chaos, Solitons, and Fractals, 24*(1), 45-56.

Widding, L. O. (2005). Building entrepreneurial knowledge reservoirs. *Journal of Small Business and Enterprise Development, 12*(4), 595-613.

Zollo, M. & Winter, S.G. (2002). Deliberate learning and the evolution of dynamic capabilities. *Organization Science, 13*(3), 339–351.

Åsvoll, H., & Widding, L. O. (in press 2011). *Perspectives of knowledge in innovative management - Some steps toward developing a framework for tacit knowing*. Accepted for publication in International Journal of Management Concept and Philosophy (2).

SIGNALING THEORY: PAST, PRESENT, AND FUTURE

Ray Karasek, III, Christian Brothers University
Phil Bryant, Columbus State University

ABSTRACT

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

INTRODUCTION

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

SIGNALING THEORY: PAST

Spence (1973) provides a hypothetical example of how signaling affects job choice in the market. He starts with an introduction that ironically signals to the reader a level of uncertainty about Spence's own abilities. His abilities, however, are shortly proven and the investment in the article quickly shows purpose.

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

In this lottery of hiring the employer's risk is neutral, and each of the signals/indices are neutral as described by Spence in the article. However, these signals to the individuals are manipulatable but costly. Spence (1973) says that a signal can not distinguish one applicant from another unless the costs of signaling are correlate negatively with productive ability. For example a college degree is becoming a non-distinguishable signal in which everyone is investing which ironically, in effect, makes it indistinguishable amongst job candidates.

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

Indices are unalterable pieces of data that include sex, gender, race, and other unalterable signals. Spence (1973) uses the index of sex to indicate any of these indices. He goes on to explain that as another signal is entered into the mix other than a standalone signal the equilibrium measure is now duplicated. For example, instead of having education as one signal among a like group, you now have education bifurcating to a male and female, a two-tailed group. This will, over time, cause a ranking to take place that could be seen as unfair and prejudiced to that singled out or signaled group. Spence (1973 indicated that the mechanism that generates the equilibrium is a like feedback loop. Spence refers to the situation of the disadvantaged group as a lower level equilibrium trap, which conveys the notion of a situation that persists for reasons inherent to the model. The multiple equilibria of the education model translate into arbitrary differences in the equilibrium configuration and status of two groups, as defined as observable, unalterable characteristics.

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

SIGNALING THEORY: PRESENT

Signaling theory has been the basis of many hypotheses, models, theories, and ideas since Spence (1973). We will discuss three of these areas of study. They are management, I/O psychology, and science. We have reviewed the top journals in these areas to trace signaling theory and its impact for the last 30 years and give the reader a glimpse at where it has been and where it is headed. Table 1 identifies and describes the several seminal theories within the fore mentioned fields that trace their roots to signaling theory.

Table 1: Sampling of Signaling Theory's Influence on Mgmt, Psych & Anthropology

Affected Field	Seminal Article	Construct Signaled	Signal
Management			
Careers	Rosenbaum (1979)	Career Mobility	Early Career Path
	Forbes (1987)	Promotability	Prior Promotions Background Prior Jobs
Strategy	Marcus & Goodman (1991)	Crisis Management	Crisis Communication
	Certo (2003)	IPO Future Success	Financial Reports
	Ross (1977) Bhattacharrya (1979)	Quality	Debt Dividends
Recruiting	Chapman, et al (2005) Ehrhart & Ziegert (2005)	Organizational Fit	Recruiter Behaviors Recruitment Activities
Psychology			
Consumer Psychology	Boulding & Kirmani (1993)	Product Superiority	Warranty
	Kirmani (1990)	Product Position	Advertising
	Davis (1991)	Product Quality	Brand Names
Anthropology	Bird & Smith (2005)	Generosity, Wastefulness	Communication Patterns
	Sois & Bressler (2003)	Religious Practices	Various Selective Pressures

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

Forbes (1987) takes this a step further and lists three cues that stem from signaling theory when making decisions regarding promotions in the tournament of mobility. They are: (1) prior history of promotions, (2) functional area background, and (3) number of different jobs held. Forbes however finds that mobility within an organization does not follow a strict tournament pattern of moves by employees. Employees who had been passed over still can rise to the top of the organization and sometimes quicker than those who won early on.

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

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

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

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

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

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

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

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

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

Dealing with a crisis and employment mobility are not the only directions in which signaling theory has expanded in the business management realm. Certo (2003) speaks of the financial implications of signaling theory on an IPO. Ross (1977) has contended that firms retain debt in an effort to signal quality and Bhattacharrya (1979) has argued that firms attempt to signal quality by issuing dividends. IPOs managers send signals to investors to indicate firm quality and understand that a Low-quality firm attempting to imitate a signal will ultimately suffer bankruptcy (Certo2003).

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

In addition to signaling to consumers on warranties, firms can signal on advertising (Kirmani, 1990) and retailer choice (Davism, 1991) through quality signals like brand names. Using these as signals for a product's position can increase perceived quality, and decrease information cost and the risks perceived by consumers (Erdim et al, 1998).

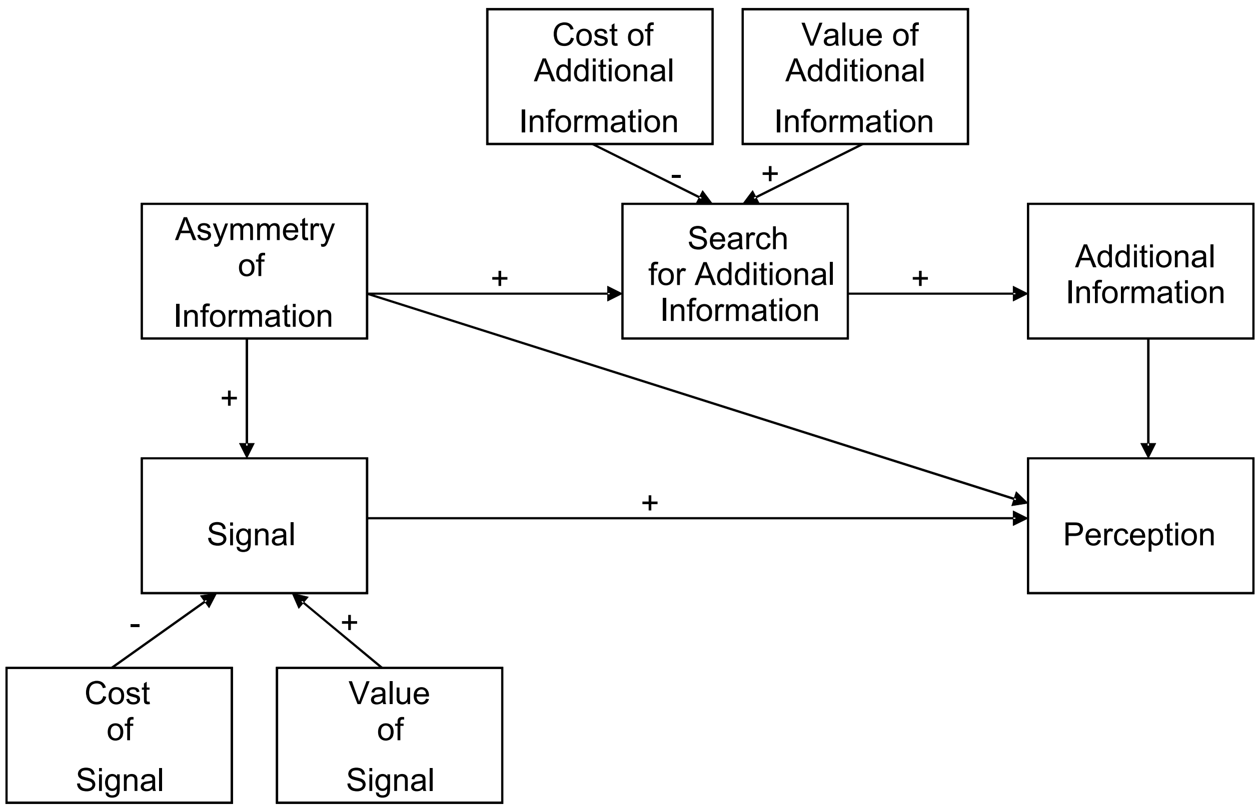
Signaling theory is not just for the consumer from the industrial / organizational psychology view. Firms may also signal to current and future employees. McNall (2010) suggests, observable personnel actions by the organization (e.g., having flexible, family-friendly policies) may be interpreted as a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

When Spence (1973) wrote his article on job signaling he probably did not foresee the effects it would have on other types of study other than psychology and business. But, we would be remiss not to point out the other research stemming from signaling theory. Anthropology for example is another area that is beginning to study signaling theory's effects. Bird and Smith (2005) examined the potential explanatory value of signaling theory for a variety of anthropological topics, focusing on three social arenas in which signaling might plausibly be important: unconditional generosity, "wasteful" subsistence behavior, and artistic or craft traditions. As they point out signaling, though a powerful construct, requires further examination and must be studied further in the anthropological realm. Another author that focused signaling theory is Richard Sois (2003). He looked at signaling theory in the context of religion and social behaviors. He explains how signaling theory acts as a lens through which we can discern the selective pressures that have favored religious practices in the human lineage. Other articles like this contend that signaling theory should be used with other proposals to trace the evolution of religion (Sois & Bressler, 2003).

SIGNALING THEORY: FUTURE

What is the future of signaling theory in the fields of management, psychology, and anthropology? We offer figure 1 as a proposed model of the relationships among information, signaling and perceptions as a framework within which to build a case for areas of future research in signaling theory.

Figure 1: Information, Signaling, and Perceptions



CONCLUSION

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

Strengths and weaknesses of signaling theory and where it stands today were shown throughout our research. The main strength is signaling theory's role as the genesis of other theories not only in the business realm, but in psychology and anthropology as well. Strength between signaling theory and recruitment is reflected in the study of "fit" and how P-O (Person-

Org) and P-J (Person-Job) can be signaled from a company's point of view and at a relatively low cost vis-à-vis practices like corporate social performance. Weaknesses in the theory as it stands, include the lack of some information on how perceived alternative signals and hiring expectancies might be signaled during the recruiting process, and the lack of a multi dimensional scale needed to be able to measure many signals at a given time.

A large missing link observed would be the financial backing of what a signal costs. As researchers of many other Human Resource constructs have attempted to identify financial costs and benefits, so should researchers in signaling theory. Another missing link that might benefit from future research is between the distal and proximal events related to signaling and perceptions.

REFERENCES

Bandura, A. (1986). *Social foundations of thought and action: A social cognitive theory.* Engkwood Clifls, NJ: Prentice-Hall.

Barber, A.E. (1998). *Recruiting employees: Individual and organizational perspectives.* Thousand Oaks, CA: Sage.

Bhattacharya, S. (1979). Imperfect information, dividend policy, and the "bird in the hand" fallacy. *Bell Journal of Economics and Management Science*, 10, 259-270.

Bird, R.B. & E.A. Smith. (2005). Signaling theory, strategic interaction, and symbolic capital. *Current Anthropology*, 46(2).

Boulding, W. & A. Kirmani. (1993). A consumer-side experimental examination of signaling theory: Do consumers perceive? *Chicago Journals,* 20(1), 111-123.

Certo, T. (2003). Influencing initial public offering investors with prestige: Signaling with board structures. *Academy of Management Review*, 28(3), 432-446.

Chapman, D., K. Uggerslev, S. Carrol, K. Piasentin & D. Jones. (2005). Applicant attraction to organizations and job choice: A meta-analytic review of the correlates of recruiting outcomes. *Journal of Applied Psychology*, 90(5), 928-944.

Davis, S. (1991). *Signaling product quality to and through a retailer.* Unpublished manuscript, School of Business, Washington University, St. Louis, MO.

Ehrhart, K. & J. Ziegert. (2005). Why are individuals attracted to organizations? *Journal of Management*, 31(901).

Erdim, T. & J. Swait. (1998). Brand equity as a signaling phenomenon. *Journal of Consumer Psychology,* 7(2), 131-157.

Forbes, B. (1987). Early intraorganizational mobility: Patterns and influences, *Academy of Management Journal,* 30(1), 110-125.

Harris, M. & L. Finks. (1987). A field study of employment opportunities: Does the recruiter make a difference? *Personnel Psychology,* 40, 765-784.

Kirmani, A. (1990). The effect of perceived advertising cost on brand perceptions. *Journal of Consumer Research,* 17, 160-171.

Korman A.K. (1967). Self-esteem as a moderator of the relationship between self-perceived abilities and vocational choice. *Journal of Applied Psychology,* 51, 65-67.

Manz, C.C. & H.R. Sims. (1981). Vicarious learning: The influence of modeling on organizational behavior, *Academy of Management Review,* 6, 105-113.

Marcus, A. & R. Goodman. (1991). Victims and shareholders: The dilemmas of presenting corporate policy during a crisis, *Academy of Management Journal,* 34(2), 281-305.

McNall, L., A. Masuda & J. Nicklin. (2010). Flexible work arrangements, job satisfaction, and turnover intentions: The mediating role of work-to-family enrichment. *Journal of Psychology,* 144(1), 61-81.

Petty, R.E. & J.T. Cacioppo. (1986). *The elaboration likelihood model of persuasion*. New York, NY: Academic Press.

Powell, G. (1991). Applicant reactions to the initial employment interview: Exploring yheoretical and methodological issues. *Personnel Psychology,* 44, 67-84.

Rosenbaum, J.E. (1979). Tournament mobility: Career patterns in an organization, *Administrative Science Quarterly*.

Ross, S.A. (1977). The determinants of financial structure: The incentive signaling approach. *Bell Journal of Economics,* 8, 23-40.

Rynes, S. (1989). *Recruitment research and applicant attraction: What have we learned?* CAHRS Working Paper. Retrieved 3/25/2010, http://digitalcommons.ilr.cornell.edu/cahrswp/399.

Rynes, S., R. Bretz & B. Gerhart. (1990). *The importance of recruitment in job: A different way of looking.* CAHRS Working Paper. Retrieved 3/25/2010, http://digitalcommons.ilr.cornell.edu/cahrswp/389.

Rynes, S., R. Bretz & B. Gerhart. (1991). The importance of recruitment in job. *Personnel Psychology,* 44.

Saks, A. & B. Ashford. (1997). A longitudinal investigation of the relationships between job information sources, applicant perceptions of fit, and work outcomes. *Personnel Psychology,* 50.

Sois, R. & R. Bressler. (2003). *Cooperation and commune longevity: A test of the costly signaling theory of religion.* Unpublished Manuscripts, Department of Anthropology, University of Connecticut, Storrs, CT.

Sois, R. (2003). *Religious behaviors, badges, and bans: Signaling theory and the evolution of religion.* Unpublished Manuscript, Department of Anthropology, University of Connecticut, Storrs, CT.

Spence, A.M. (1974). *Market signaling: Information transfer in hiring and related processes.* Cambridge, MA: Harvard University Press.

Spence, M. (1973). Job market signaling, *Quarterly Journal of Economics*, 87(3), 355-374.

Trevino, L, S. & Youngblood. (1990). Bad apples in bad barrels: A casual analysis of ethical decision-making behavior. *Journal of Applied Psychology,* 75(4), 378-385.

Turban, D. & T. Keon. (1993). Organizational attractiveness: An interactionist perspective. *Journal of Applied Psychology,* 78(2), 184-193.

Turbin, D. & W. Greening. (1997). Corporate social performance and organizational attractiveness to prospective employees. *Academy of Management Journal*, 40(3), 658-672.

MISSION "TRUST"

Amod Choudhary, City University of New York, Lehman College

ABSTRACT

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

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

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

INTRODUCTION

The late 2009 and most of 2010 was an unforgettable one for Toyota and BP. Toyota was accused of either stalling or not being fully truthful about accidents allegedly caused by faulty accelerators in their automobiles. By fall of 2010, Toyota had recalled approximately 8.5 million cars and trucks that could speed up and lose control due to gas pedals jamming or being stuck under floor mats (Tabuchi, 2010). Toyota's problems worsened because the CEO only acknowledged the accidents associated with accelerators some six months after the alleged problems were reported to the company. For reasons unknown--most likely the fear of potential legal liability--Toyota chose to not acknowledge the accelerator problems earlier. The result was that by February 2010, Toyota's once great engineering reputation was replaced by that of a company that is untrustworthy and one that puts profits before safety.

In spring of 2010, BP's oil rig--Deepwater Horizon--caused an explosion of an oil well in Gulf of Mexico that is now considered the worst oil spill in history of United States (Goodman, 2010). After the accident, BP took inordinate time in taking responsibility for the oil explosion, and blamed its subcontractor for the explosion. Meanwhile, the oil leaked for a much longer period than anticipated. By the time the oil leak was stopped, BP replaced its chairman and its reputation as an environmental visionary was destroyed. The accident also cost BP billions of dollars in oil cleanup and lost shareholder value (Goodman, 2010).

In March 2008, Bear Stearns--an 85 year old investment firm--was forced to sell to J.P. Morgan Chase & Co., when within 72 hours Bear Stearns went from being liquid to illiquid (Kelly, 2009). When the Chief Executive of Bear Stearns announced the sale of Bear Stearns to J.P. Morgan Chase & Co., he stated it was the right thing to do. The assumption being that the Bear Stearns CEO meant that the sale was beneficial for shareholders, employees and the management under the difficult circumstances. Around the same time, Lehman Brothers went bankrupt, followed by acquisition of Merrill Lynch by Bank of America later in the year. All three of these venerable Wall Street firms were victims of so-called toxic mortgage-backed securities. In addition, Citigroup also faced illiquidity due to toxic mortgage-backed securities on its balance sheet. In Bear Stearns and Merrill Lynch's case, their problems stemmed from few high-level employees making big bets on mortgage-backed securities that resulted in big profits in the short run and financial ruin in the long term. More importantly, these high-level employees acted in their self-interest, and not necessarily in the interest of other stakeholders of the organization.

Approximately ten years ago; Enron, Tyco, Adelphia, WorldCom, and HealthSouth Corporation either went bankrupt or suffered heavy financial losses due to the malfeasance of their senior managers. In essence, the officers of these corporations acted in their self-interest rather than of shareholders. Toyota & BP severely harmed their reputation by not communicating truthfully, the Enrons and Tycos of the world made malfeasance a common thing, and the financial firms such as Merrill Lynch, Bear Stearns and Lehman Brothers took catastrophic risks with the investors' money and other stakeholders trust. Ultimately, all these organizations are grouped in the whirlpool of organizations that betrayed the trust of general public, media and most importantly their shareholders. This paper analyzes the Mission Statements of these firms and the Mission Statements of Fortune magazine top 20 most admired companies in the world. It also recommends modification of Mission Statements so that they become a guiding document for navigating through life threating corporate crises.

DISCUSSION

While managing an organization during tranquil period is not necessarily easy, during a crisis the risks of decisions made increases exponentially. Experts have described a crisis as "situations that are unwanted, unexpected, unprecedented, and almost unmanageable and that cause widespread disbelief and uncertainty" (Boin, 2004). Crisis faced by BP certainly meets this definition. However, what happened to Enron, Tyco, Adelphia, Toyota, Merrill Lynch, Bear Stearns and Lehman Brothers only meet certain parts of the above definition. The public relations crisis for Toyota was self-inflicted in sense that a problem of that magnitude would eventually find its way through to media. Toyota made it worse by not giving a timely and appropriate response. The problems faced by Enron, Tyco, Adelphia, WorldCom, and HealthSouth Corporation were expected since wrongdoing on their balance sheets--mainly by accounting gimmickry--was bound to be discovered. Unfortunately, for the stockholders and regulators, the extent of the malfeasance was unprecedented and unfathomable. Maybe a more suitable definition of a crisis given that there have been scandals involving corporations at least since the late 1800s (Jensen, n.d.) would be "an unstable period, esp of extreme trouble or danger" (Dictionary.com, 2011). Thus, in a nutshell, a crisis is an extremely troubling time wherein the survival of an organization is at stake.

Experts of crisis management agree that during a crisis the organization needs to communicate. This becomes crucial for publicly owned organizations since the value of their stocks depend critically on the public and financial markets' perception. This is even more perilous in the age of Twitter, Facebook, YouTube and other 24x7 media sources. Financial firms such Bear Stearns, Merrill Lynch and Lehman Brothers could not survive the negative impact of toxic mortgage-backed securities they were saddled with on their balance sheets. Mortgage-Backed Securities are debt obligations that represent claims to the cash flows from pools of mortgage loans, most commonly on residential property (Mortgage-Backed Securities, n.d.). When the U.S. housing industry crashed, the value of the mortgage-backed securities similarly plunged. A perfect example of detrimental impact of negative news related to mortgage-backed securities on stock price was the free fall in stock prices of Merrill Lynch and Bear Stearns. Bear Stearns's stock price was $170 per share around March 2007 (Shan, 2008), then a year later on March 12, 2008 at $61.58, followed by March 13, 2008 at $57, March 14, 2008 at $37 and finally when acquired by J.P. Morgan Chase & Co. on March 16, 2008 at $2 per share (Legal Help for Bear Stearns Investors, 2011). Essentially, "the firm spiraled from being healthy to practically insolvent in about 72 hours" (Kelly, 2009). Similarly, although not as dramatic, Merrill Lynch's stock went from $63.34 per share (Rosenbush, 2007) to $17.05 in early October 2007, and then to $29 when sold to Bank of America in fall of 2009 (Bank of America to Purchase Merrill Lynch, 2008). Thus, information disseminated through traditional media, social networks on the Internet (Facebook, Twitter, and YouTube to name a few) and gossip coupled with lack of proper response by an affected organization can have a crippling impact on the financial and goodwill value of the organization.

More recently, BP and Toyota experienced sharp decline in their stock values. BP's shares were trading at $52.15 per share when the Deepwater Horizon caused a huge oil fire in the Gulf of Mexico. Between the day of the fire until the time the oil well was capped, the BP shares had lost approximately 55% of its value and settled at $29.35 (BP stock chart, 2011). When Toyota's problems with accelerators became public, its shares went from $84 in September 2009 to $ 75 a month later (Toyota stock chart, 2011). Matters worsened for Toyota because it never took direct responsibility for the problems and was ultimately fined about $48.8 million by the National Highway Transportation Safety Administration for not reporting the defects and fixing them (Valdes-Dapena, 2011). However, BP and Toyota have managed to survive their respective crises. Unfortunately, throughout fall of 2009 and early 2010, Toyota continued to mishandle the communication aspect of this issue and in turn completely tarnished its image.

This begs the question; if communicating the truth is so critical why do so many of the organizations mishandle it? Various experts have come up with their recommendations as it pertains to crisis communication. A common suggestion has been to disclose the bad news immediately, take responsibility and get back to doing what the company does best and try to fix the underlying problem (Goodman, 2010). Another expert states "get your message out first and repeat it over and over again--containing facts, facts, facts …" (Zahorsky, 2010). Yet another expert states that in this day of blogs, and social media, "active listening is paramount, and engagement is the new currency for securing customer loyalty" (Cunningham & Hunt, 2010). Another advice during a crisis is to address the problem and provide direction as to what is being done to fix the problem (Ordonez, 2010). Probably the best strategy is to respond immediately and proactively in an honest manner, making sure that the cause of the problem is thoroughly investigated, and corrected, so that the same error never occurs again (Lentini, 2009).

However, it is very difficult to communicate truthfully, accept responsibility, or even be sympathetic to customers and other stakeholders due to the certainty of lawsuits. Essentially, there is a conflicting agenda pursued by and between the executives of an organization. Put differently, "[c]ommunication strategists are inclined to mollify public anger with expressions of concerns, while lawyers warn that contrition can be construed as admission of guilt in potentially expensive lawsuits" (Goodman, 2010). The result is that by delaying truthful information, the public and important stakeholders lose trust and any residual sympathy for the organization. Obfuscations also seems to imply that the organization--especially in BP and Toyota's case--places more emphasis on saving money (cutting corners during safety R&D) rather than on safety.

While a lawsuit is inevitable, it is still good idea to satisfy the other stakeholders such as the shareholders, the financial markets, media, the general public and the environmentalists. If these stakeholders are somewhat satisfied, the damage to the organization's reputation (and the share value) will not be a colossus one. Few experts advise that depending on the situation, the organizational response can be tailored to minimize legal liability. Johar, Birk & Einwiller (2010), recommend that: (i) if the brand is at fault and the crisis is severe, come clean quickly, (ii) if the brand is not at fault but the crisis is severe, defend yourself, (iii) if the accusation against the brand is not true and not severe, denial is a useful strategy, and (iv) in normal, noncrisis times, work to bolster your image and enhance consumers' brand identification.

Ultimately, it can be argued that since a crisis is a life and death situation in this world of hyperactive media, crisis navigation should become an integral part of management, and should be actively planned for. In order to ensure that the crisis plan is implemented, it should become part of an organization's Mission/Vision/Value Statement.

Mission/Vision/Value Statement

An organization's mission, vision and value may be defined to mean the same thing. Sometimes organizations use the Credo or Code of Ethics/Conduct to also mean the same thing. However, academicians tend to delineate the meanings of these terms. Generally, a Mission Statement means "what is our business" while the Vision Statement means "what do we want to become (David, 2010). Others have stated that Vision and Values "set forth lofty goals and bedrock beliefs" to "please investors and customers … and supports employee morale by reminding one and all that the company strives to do good, not just well" (Kunen, 2002). A manager states that to him, Vision is "who we are and what we are trying to do" (Langeler, 1992). In more practical terms "Vision is important in establishing the purpose of the enterprise: coordinate people actions and efforts; inspire and invite commitment; create future of the company" and Mission is "communication with external publics and motivate employees internally" (Verma, 2009-10).

Others somewhat mingle the delineation between Mission and Vision by stating that Mission "must answer fundamental questions why a company is in business, and what it wants to become and how growth is to be achieved," while Vision "involves answering questions about your identity as to who you are, where you are headed or going and what are your guiding *values* (emphasis added)" (Verma, 2009-10). Thus, it seems that the Vision and Mission are frequently combined to mean the same thing. My review of Mission Statements of twenty-six organizations shows that they may be combined or be separate. Practically all these statements provide guidance to various stakeholders, as to their organization's philosophies, core values, businesses and quality of treatment of their employees, customers and the environment. Finally, according to David (2010), a good Mission Statement "should reveal an organization's customers, products or services, markets, technology, concern for *survival* (emphasis added), growth, profitability, philosophy, self-concept, concern for public image, and concern for employees" (King, Case & Premo, 2010). If concern for survival and public image is part of an organization's mission then it is self evident that a crisis has a bearing on the survival and public image of an organization.

Thus, to increase the probability of survival during a crisis, an organization's Mission/Vision/Value Statement should also include a crisis management component.

My research showed that in managing a crisis, only the managers of Verizon--a communication company--and Odwalla--a juice company--knew that their company's Values provided crisis guidance. At Odwalla, after its apple juices were recalled due to E. coli infection, its managers looked at "[their] values; honesty, integrity, respect. It was pretty easy to know what our next step would be" (Dimond, 1997). To the Odwalla managers it meant acting quickly and communicating openly during a crisis. At Verizon, their Values meant absolute commitment to serving customers and community in everything they did in the evacuation of their offices near the World Trade Center on September 11, 2001 (Lee, n.d.). Although, Odwalla and Verizon executives knew what to do during a crisis, it seems that other managers either choose not to or do not know what to do during a crisis. A recent good example of crisis management has been the actions taken by Qantas Airlines. Immediately after the engine (manufactured by Rolls-Royce PLC) of one its A380s exploded, Qantas grounded all six of its A380s jetliners (Kelly & Critchlow, 2010). The Qantas CEO stated that immediately after he found out about the accident, he and his team went to the emergency and crisis executive center, and a few days after boosted Qantas' social media presence. He acknowledged that with greater communication through social media network such as Facebook and tweets, they managed to stop rumors before they became stories on the news networks.

Examples of Mission/Vision/Value/ and Credo of some Prominent Companies

Table 1 below provides a summary of Mission/Vision/Value Statement/Values/ Credo/Business Principles (together Mission Statement) of Fortune magazine's top 20 world's most admired companies in 2010. Table 2 provides the same information for some of the tarnished companies.

Table 1: Summary of Mission Statements for Fortune Top 20 World's Most Admired Companies

Company	Mission Statement	Crisis Management Component in the Mission Statement
Apple	Mission--Apple designs Macs, the best personal computers in the world, along with OS X, iLife, iWork, and professional software. Apple leads the digital music revolution with its iPods and iTunes online store. Apple reinvented the mobile phone with its revolutionary iPhone and App Store, and has recently introduced its magical iPad which is defining the future of mobile media and computing devices.	No.
Google	*Mission*--organize the world's information and make it universally accessible and useful. *Code of Conduct*--Don't be evil." Googlers generally	No. However, the code of conduct does state that Google will follow law, and act honorably.

Table 1: Summary of Mission Statements for Fortune Top 20 World's Most Admired Companies		
Company	Mission Statement	Crisis Management Component in the Mission Statement
	apply those words to how we serve our users. But "Don't be evil" is much more than that. Yes, it's about providing our users unbiased access to information, focusing on their needs and giving them the best products and services that we can. But it's also about doing the right thing more generally--following the law, acting honorably and treating each other with respect.	
Berkshire Hathaway	*Mission*--strive to be premier insurance carrier in our chosen markets by providing compassionate care to injured workers, superior service to our policyholders and producer clients.	No.
Johnson & Johnson	*Credo*--first responsibility is to the doctors, nurses and patients, mothers and fathers and all others who use our product and services. We must be good citizens, and responsible to communities in which we work and to the world community as well.	No. However states that we must protect the environment and natural resources. Also, management's actions should be just and ethical.
Amazon.com	*Vision*--to be earth's most customer centric company; to build a place where people can come to find and discover anything they might want to buy online.	No.
Proctor & Gamble	*Purpose*--to provide branded products and services of superior quality and value that improve the lives of the world's consumers, now and for generations to come. As a result, consumers will reward us with leadership sales, profit and value creation, allowing our people, our shareholders and the communities in which we live and work to prosper. *Values*--Integrity, Leadership, Ownership, Passion for Winning, and Trust.	No. However wants to be a good citizen and superior relationships with all its partners including governments. Also emphasizes trust between people.
Toyota Motors	*Vision*--to be the leading company in town, and to care about the local community and be a welcome part of it and to share a common future together. *Mission*--to help build the world of tomorrow and create a place for itself in this future.	No. However, suppose to honor the language and spirit of law in every nation in its Guiding Principles.
Goldman Sachs Group	Our principal assets are our people, capital and reputation. We are committed to maintaining a culture of diversity, integrity and strong business principles. One of the Business Principles--Integrity and honesty are at the heart of our business. We expect our people to maintain high ethical standards in everything they do, both in their work for the firm and in their personal lives.	No. However, emphasizes integrity and honesty in its business.
Wal-Mart Stores	Mission--we save people money so they can live better.	No.

Table 1: Summary of Mission Statements for Fortune Top 20 World's Most Admired Companies		
Company	Mission Statement	Crisis Management Component in the Mission Statement
Coca-Cola	Mission--to refresh the world…to inspire moments of optimism and happiness...to create value and make a difference. *Vision*--people; portfolio; partners; planet-Be a responsible citizen that makes a difference by helping build and support sustainable communities; Profit; Productivity.	No. However, "be real" for integrity and be accountable for actions and inactions.
Microsoft	*Mission*--to enable people and businesses throughout the world to realize their full potential. *Vision*--to create innovative technology that is accessible to everyone and that adapts to each person's needs. Accessible technology eliminates barriers for people with disabilities and it enables individuals to take full advantage of their capabilities. *Values*--as a company, and as individuals, we value integrity, honesty, openness, personal excellence, constructive self-criticism, continual self-improvement, and mutual respect. We are committed to our customers and partners and have a passion for technology. We take on big challenges, and pride ourselves on seeing them through. We hold ourselves accountable to our customers, shareholders, partners, and employees by honoring our commitments, providing results, and striving for the highest quality.	No. However, emphasizes integrity, honesty, and accountability.
Southwest Airlines	*Mission*--dedication to the highest quality of Customer Service delivered with a sense of warmth, friendliness, individual pride, and Company Spirit.	No. However, states that it is dedicated to do the right thing, ensure safety and foster trusting relationship with our planet.
FedEx	FedEx Corporation will produce superior financial returns for its shareowners by providing high value-added logistics, transportation and related information services through focused operating companies. Customer requirements will be met in the highest quality manner appropriate to each market segment served. FedEx Corporation will strive to develop mutually rewarding relationships with its employees, partners and suppliers. Safety will be the first consideration in all operations. Corporate activities will be conducted to the highest ethical and professional standards.	No. However, emphasizes safety and high ethical and professional standard of conduct.
McDonald's	*Mission*--is to "be our customers' favorite place and way to eat." *Values*--we place the customer experience at the core of all we do; we are committed to our people; we believe in	No. However, holds itself and conducts business to high standards of fairness, honesty, integrity, and accountability.

Table 1: Summary of Mission Statements for Fortune Top 20 World's Most Admired Companies		
Company	Mission Statement	Crisis Management Component in the Mission Statement
	the McDonald's System; we operate our business ethically; we give back to our communities; we grow our business profitably; we strive continually to improve.	
IBM	*Values*--dedication to every client's success; innovation that matters, for our company and for the world; trust and personal responsibility in all relationships.	No. However, trust and responsibility in all relationships.
General Electric	*Goals*--to make money, make it ethically (rigorous compliance with financial and legal rules) and make a difference (ethical actions). *CEO's Letter*--commitment to integrity, a commitment to performance and a commitment to learn and grow stronger.	No. However, emphasis on integrity and ethics.
3M	*Values*--act with uncompromising honesty and integrity in everything we do; satisfy our customers with innovative technology and superior quality, value and service; provide our investors an attractive return through sustainable, global growth; respect our social and physical environment around the world; value and develop our employees' diverse talents, initiative and leadership; earn the admiration of all those associated with 3M worldwide.	No. However, emphasizes honesty and integrity in everything they do.
J.P. Morgan Chase	*Business Principles*--aspire to be the best; execute superbly; build a great and winning culture (operate with the highest standards of integrity); train and retain great managers; be open and honest with ourselves, our colleagues, our shareholders and our communities; get incentives right; foster an environment of respect and inclusiveness; give back to our communities.	No. However, emphasis on integrity.
Walt Disney	*Corporate Responsibility Objectives*: Environment--we work to embed good environmental stewardship in the Company's decision-making process from start to finish. Community--we aim to be a positive and productive members of the communities in which we work and live. Workplaces--we strive to foster safe, inclusive and respectful workplaces wherever we do business and wherever our products are safe. Contents and products--we seek to create content and products responsibly. Children and family- -we strive to support the well-being of children and families.	No. However, emphasizes safety and being a productive member of the society.

Table 1: Summary of Mission Statements for Fortune Top 20 World's Most Admired Companies		
Company	Mission Statement	Crisis Management Component in the Mission Statement
Cisco Systems	*Vision*--changing the way we work, live, play and learn. *Mission*--to shape the future of the Internet by creating unprecedented value and opportunity for our customers, employees, investors and ecosystems partners.	No. However, does mention trust/fairness/ integrity in its culture.
Retrieved February 18, 2011 from http://money.cnn.com/magazines/fortune/mostadmired/2010/full_list/. Mission and Vision retrieved from each organization's website on February 18, 2011.		

Table 2: Mission Statement of Tarnished Companies		
Company	Mission Statement	Crisis Management Component in the Mission Statement
Enron	Vision--to become world's leading energy company-creating innovative and efficient energy solutions for growing economies and a better environment worldwide. Values--respect; integrity--*we work with customers and prospects*, *openly, honestly and sincerely . . .*; communication--*we have an obligation to communicate. Here we take the time to talk with one another—and to listen. We believe that information is meant to move and that information moves people*; excellence.	Partially met. In one of its Values, Enron does state that communication and listening is an obligation. Although, it does not state the quality of communication and to whom that communication is directed towards.
Lehman Brothers	*Mission*--our mission is to build unrivaled partnerships with and value for our clients, through the knowledge, creativity, and dedication of our people, leading to superior results for our shareholders.	No.
Bear Stearns	*Mission*--committed to the highest standards of business conduct and ethics. This Code of Business Conduct and Ethics, as written and amended from time to time, establishes standards that Bear Stearns deems necessary to deter wrongdoing and to promote compliance with applicable law, rules and regulations and honest and ethical conduct.	No. However, requirement of being honest and ethical conduct.
Adelphia	*Mission*--we will leverage our historical strengths of customer focus, community involvement, and employee dedication; address issues that limit profitability and growth; and act with a sense of urgency accountability and teamwork to emerge from bankruptcy and to succeed as a broadband industry leader. We will develop a reputation as a company with outstanding corporate governance.	No. However, it will act with sense of urgency accountability.
BP	*Values/Principles* Performance--compliance with law and ethics: to comply with all applicable laws and regulations in each jurisdiction in which the group operates. All employees	No. However, emphasizes, safety, and compliance with laws and ethics.

Table 2: Mission Statement of Tarnished Companies		
Company	Mission Statement	Crisis Management Component in the Mission Statement
	will be required to comply with the code of conduct, which prohibits illegal, corrupt or unethical practices and demands high standards of probity; People and capability; Health, safety and environment-Environmentally sound operations: to conduct the group's activities in a manner that, consistent with the board goals, is environmentally responsible with the aspiration of 'no damage to the environment'; External relationships—Social impact: to respect the quality of life and the economic and social progress of the communities in which the group operates and, in the context of the board goals, to give support to their advancement; Transparency: to deal openly and transparently with shareholders and third parties. The group will set appropriate external targets in line with its internal targets and report against them periodically. The group will also act in accordance with the principles of the Extractive Industries Transparency Initiative (EITI). BP is progressive; responsible—committed to safety, with aim of no accidents, no harm to people and no damage to the environment; innovative and performance driven.	
The BP and Toyota Motors Values were downloaded after the Deepwater Horizon explosion and unintended accelerations related recalls respectively.		

An analysis of the above Mission Statements shows that all organizations care about honesty, integrity, employees, business partners, preservation of natural resources and complying with the spirit and language of law where they conduct their businesses. Unfortunately, this is not surprising at all. Even the much maligned but now defunct Enron Corporation's CEO discusses these high ethical standards in its Code of Ethics (Lay, 2000). At best, all of the Mission Statements seem hollow, because during a crisis the organization seems to ignore them. In order to avoid a total meltdown of the organization during a crisis, what is needed is a crisis statement/plan in place so that the senior executives will not have to mull over and decide the finer points of integrity, honesty and accountability. A Mission Statement embedded with a crisis statement would be something that is literally right in front of the managers. Legally, having the crisis statement may expose the organization to liability if the managers chose to ignore it. However, having an implemented crisis statement/plan would help defend any future lawsuits and prevent erosion of stakeholder trust and loss in stock value. The more robust Mission Statement would be very beneficial for the organization in the long run.

Then, the next step is to determine the main components of a Crisis Statement/Plan. First, the crisis statement should be part of (or clearly embedded in) the Mission Statement. Second, it should state that contents of any communication via any medium to stakeholders will be truthful, balanced, and disseminated regularly and proactively. Third, the organization will fix the problem so that similar occurrence/error does not repeat. Fourth, the organization will have a crisis plan--a natural extension of the crisis statement--that is updated, tested and practiced (like a fire drill) to the extent possible. Finally, the CEO in the spirit of Sarbanes and Oxley should sign the crisis statement/plan as well. Only then, the stakeholders will regain trust in and deposit their life savings in our venerable organizations.

CONCLUSION

An analysis of the "crises" of some prominent companies shows that during a crisis, the top management was ill prepared to disseminate potentially harmful information to its stakeholders or was itself the wrongdoer. Since a crisis has huge impact on the survival of an organization, it is crucial that a crisis plan be part of an organization's Mission Statement. The Mission Statement should essentially state that the organization will communicate truthfully, and frequently with its stakeholders; and work towards a permanent fix for the problem(s) in order to maintain the good name and market value of the organization during any crisis.

The crisis plan is crucial in this day of hypermedia where whispers about an organization's poor balance sheet, or any bad news can have a devastating impact on its corporate valuation. The untimely and the quick demise of Bear Stearns, Lehman Brothers and Merrill Lynch shows that the senior management must have a crisis plan or risk oblivion in face of mounting bad news reported by traditional and social media.

REFERENCES

Bank of America to Purchase Merrill Lynch, (2008). Retrieved February 23, 2011, from http://www.msnbc.msn.com/id/26708958/ns/business-consumer_news/

BP stock chart, (n.d.). Retrieved February 23, 2011, from http://www.wikinvest.com/stock/BP_(BP)/WikiChart

Boin, A. (2004). Lessons from crisis research. *International Studies Review*, 165-194.

Cunningham, W.H. & Hunt, J. (2010). Online, you are your reputation. *Risk Management*, v57 i8 p. 28(1).

David, F. (2010). *Strategic Management* (Thirteenth Edition). Boston, MA: Pearson Learning Solutions.

Dimond, K. (1997). Antidote for a Lethal Crisis. *Oregon Business*, 29. http://dictionary.reference.com/browse/crisis. Retrieved February 23, 2011.

Goodman, P.S. (2010). In Case of Emergency: What Not to Do. Retrieved August 26, 2010, from http://www.nytimes.com/2010/08/22/business/22crisis.html?-r=1&emc=eta1&pagewanted...

Jensen, B. (n.d.). History of Fraud in America. Retrieved February 23, 2011, from http://www.trinity.edu/rjensen/FraudAmericanHistory.htm

Johar, G.V., Birk M.M. & Einwiller, S.A. (2010). How to Save Your Brand In the Face of Crisis. *MITSloan Management Review*, vol. 51 no. 4.

Kelly, K. (2009). Inside the Fall of Bear Stearns. Retrieved February 21, 2011, from http://www.wsj.com.

Kelly, R. & Critchlow, A. (2010, December 29). Qantas Copes with Aftermath of A380 Crisis. *Wall Street Journal*, B4.

King, D.L., Case, C.J. & Premo, K. (2010). Current mission statement emphasis: be ethical and go global. *Academy of Strategic Management Journal*, 1-3.

Kunen, J.S. (2002). Enron's Vision (and Values) Thing. Retrieved December 8, 2010, from http://www.nytimes.com

Lay, K. (2000). Interoffice Memorandum. Retrieved February 17, 2011, from http://www.thesmokinggun.com/file/enrons-code-ethics?page=0

Lee, C. (n.d.). When Disaster Strikes, Corporate Values Put to the Test. *Executive Excellence*, p.5.

Langeler, G.H. (1992). The Vision Trap. *Harvard Business Review*, 54.

Legal Help for Bear Stearns Investors. (n.d.) Retrieved February 23, 2011, from http://www.youhaverights.com/corporate-fraud/bear-stearns-stock-fraud/

Lentini, A.R., Jr. (2009). After it hits the fan: five big mistakes companies make in a crisis. *Risk Management*, v56 i5 p42(5).

Mortgage-Backed Securities. (n.d.) Retrieved March 7, 2011, from http://www.sec.gov/answers/mortgagesecurities.htm

Ordonez, E. (2010). When the Toyota way went wrong. *Risk Management*, v57 i10 p24 (3).

Rosenbush, S. (2007). Merrill Lynch's O'Neal Takes the Hit. Retrieved February 21, 2011, from http://www.businessweek.com/bwdaily/dnflash/content/oct2007/db20071024_830456.htm

Shan, J. (2008). Bear Stearns Debacle is the Biggest Theft in American History. Retrieved February 18, 2011, from http://blackpoliticalthought.blogsport.com/2008/03/bear-sterans-debacle -is-biggest-theft.html

Tabuchi, H. (2010). Toyota Recalling 1.5 Million Cars for 2 Problems. Retrieved October 21, 2010, from http://www.nytimes.com/2010/10/22/business/global/22toyota.html?-r=1&hp=&pagewa...

Toyota stock chart. (n.d.) http://finance.yahoo.com/echarts?s=TM+Interactive#chart1:symbol=tm;range=2y; indicator=volume;charttype=line;crosshair=on;ohlcvalues=0;logscale=on;source=undefined, Retrieved February 23, 2011.

Valdes-Dapena, P. (2011). Pedals, drivers blamed for out of control Toyotas. Retrieved February 23, 2011, from http://money.cnn.com/2011/02/08/autos/nhtsa_nasa_toyota_final_report/index.htm

Verma, H. V. (2009-10). Mission Statements-A Study of Intent and Influence. *Journal of Services Research*, vol. 9, no. 2, pp. 154-55.

Zahorsky, R. M. (2010). Social crisis: firm's blog advises how to handle trouble in the public eye. *ABA Journal*, v96 i6 p30(1).

THE IDEAL PERFORMANCE APPRAISAL IS A FORMAT, NOT A FORM

Jack N. Kondrasuk, University of Portland

ABSTRACT

The most maligned (and also dreaded) aspect of human resource management is the process of evaluating an employee's job performance—often referred to as "performance appraisal." Yet performance appraisal is helpful to, and often even essential to, accomplishing important goals of all organizations. This article is designed to move closer to an ideal performance appraisal system. Research was conducted to ascertain all problems that are occurring with present performance appraisal systems. A list of 76 performance appraisal problems was reduced to 4 general categories. Performance appraisal systems are improved by rectifying common shortcomings (e.g. reducing biases, training those involved, using formats with research substantiation). However, the most important changes required 1) clarifying the goals of performance appraisal, 2) focusing on both results and behavior appraisals, 3) adding an appraisal category, 4) better timing, and 5) better involving constituencies.

INTRODUCTION

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

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

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

PURPOSE OF THE PAPER

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

BACKGROUND OF PA

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

Definition of PA

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

PROBLEMS ASSOCIATED WITH CONDUCTING PA

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

It still constitutes an overwhelming, confusing list of problems regarding the typical PA system. The 76 problems found in present PA systems can probably be reduced to four categories (Kondrasuk et al, 2008). Those categories would be problems with: 1) the purpose of PA, 2) those involved with PA, 3) what is measured and how, and 4) the system and process of PA. The major complaints within each of these areas should provide a clearer understanding of the hurdles to overcome to develop an ideal PA system.

Problems with the Purpose and Goals of PA

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

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

Problems Involving the Participants in PA

Three categories of participants are usually involved in PA: 1) appraisers, 2) evaluatess, and 3) other users. The evaluator can be a variety of individuals or groups of individuals. Traditionally, the evaluatee's direct supervisor evaluates the individual because s/he is in the best position to observe the behavior and evaluate (Kondrasuk, Riley, & Hua, 1999). However other approaches may also be used so that "the evaluator" could be a panel of managers, an employee's peer, subordinate, customers or any person the appraisee interacts with. Regardless of who does the evaluation, they need the support of the total organization.

Reading through the research conducted on performance appraisals, a major issue that arises time and time again is the integration of the PA within the organization's daily functions and culture. Without the full support of integrating the PA process from the top all the way down, the PA has little chance of being implemented successfully. If the organization lacks commitment to the process of performance appraisals, then evaluators do not take the process seriously enough (Roberts, 1998; Eichel, & Bender, 1984; Grote, 1996). When performance appraisals are used as a mechanism of power, domination, or control over underlings, the individual's growth and the effectiveness of the PA system both deteriorate (Roberts, 1998; Neck, Stewart, & Manz, 1995; Wilson, 1991; Eichel, & Bender, 1984; Grote, 1996).

If those who are involved do not have sufficient skills to conduct PA, the results will be less than ideal. Evaluators are frequently not trained in the PA process nor given the necessary training to perform the PA effectively and consistently (Roberts, 1998; Wilson, 1991; Fletcher, 2001; Vinson, 1996; Neck et al; Gray, 2002; Odiome, 1985; Eichel, & Bender, 1984; Grote, 1996)). One specific example of appraisal ineptitude is seen in the way performer behaviors are vaguely determined or not weighted properly in the process (Fletcher, 2001; Eichel, & Bender, 1984; Grote, 1996). Also, upper management seldom is trained properly in how to use this data for organizational improvement (Roberts, 1998).

Biases

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

Evaluatees' Perceptions

Related to biases, perceptions and expectations of appraisees in the PA process may be a significant inhibitor of PA success. Evaluatees may refuse to agree to evaluators' assessments and conclusions because they do not meet the evaluatees' expectations of the PA process (Blau, 1999; Roberts, 1998; Fletcher, 2001; Eichel, & Bender, 1984; Grote, 1996). When evaluatees do not perceive fairness and trust in the process of performance appraisals, they are quick to deny the accuracy of the system (Wilson, 1991; Roberts, 1998; Blau, 1999;

Eichel, & Bender, 1984; Grote, 1996). Furthermore, evaluatees may argue with the evaluation if it does not match the results of past satisfactory performance appraisals (Gray, 2002; Neck et al., 1995). It appears that some evaluatees are often reluctant to take the evaluation process seriously (Vinson, 1996; Kondrasuk et al., 1999). In many instances, PA systems do not provide for effective communication. For example, some evaluatees feel they are given inaccurate information on the performance criteria (Roberts, 1998; Gray, 2002; Crow, 1996; Vison, 1996; Fletcher, 2001). Appraisals are made weighting behaviors evaluatees did not know were essential for satisfactory appraisal (Roberts, 1998; Eichel & Bender, 1984; Grote, 1996). At the conclusion of a performance appraisal, many times evaluatees are not given instructions on how to use this feedback to improve future job performance (Vinson, 1996; Neck et. al., 1995; Fletcher, 2001; Eichel, & Bender, 1984; Grote, 1996). Additionally, even if instruction is given for performance improvement, evaluatees may express dissatisfaction with the amount and the type of feedback they receive (Roberts, 1998; Eichel & Bender, 1984; Grote, 1996). It appears that many evaluatees feel uncomfortable because they have little or no opportunity to influence the process of performance appraisal (Fletcher, 2001; Wilson, 1991; Eichel & Bender, 1984; Grote, 1996). In order to develop a working PA system, the lack of subordinate support must be addressed (Gray, 2002; Crow, 1996; Kondrasuk et al., 1999; Eichel & Bender, 1984; Grote, 1996).

Problems Involving What is Measured and How It is Measured

Employee's individual goals must mesh with and support the higher-level goals of the organization for performance appraisals to be effective for an organization,. Many firms use inappropriate assessments because they do not use the correct tools for designing the system. The two basic considerations in designing the actual appraisal tool are 1) what to measure and 2) how to measure it (Dessler, 2011). What to measure refers to the focus for measuring the employee's performance, such as quantity, quality and timeliness of work. It may also be measured in respect to developing one's competencies or achieving one's goals. Assessing employee performance is a very difficult task. While employee performance in some jobs, such as selling shoes in a shoe store, is clearly measurable, assessing performance in many other professions, such as that of a nurse, can be less evident. The process may be measuring a person rather than the person's job performance (Kane & Kane, 1992). Appraisals may have difficulty assessing jobs that have immeasurable outcomes or abstract natures (Wilson, 1991; Roberts, 1998). Another problem with typical PA systems is that they only seem to accurately and reliably measure extreme performances and do not reliably differentiate middle-range performances (Roberts, 1998; Kane & Kane, 1992). Behaviors may not be weighted properly to give an accurate evaluation of an individual's overall performance (Eichel, & Bender, 1984; Grote, 1996). In sum, many PA systems have low reliability (rating errors), which must be taken into consideration when analyzing them for their efficacy (Roberts, 1998; Kane & Kane, 1992).In general, we can measure traits, behaviors, and results.

An employee's job performance can be measured by numerous techniques (Dessler, 2011). Evaluators can use graphic rating scales, forced choice distributions, and ranking (paired comparison, alternation, straight rankings) to measure traits. They can use critical incidents, narratives, BARS, BOS, and electronic monitoring to assess behaviors. They can use MBO to assess results. For instance, Thomas and Bretz (1994) stated that an MBO instrument was by far most common for assessing the job performance of both managers and non-manager exempt personnel. The most common appraisal instrument for non-exempt employees varied from MBO (31%) to graphic rating scale (32%) to "other" (23%). However, how to choose the instrument for a particular situation and how to score a combination of measuring instruments is problematic.

Problems with the Basic System and the Process of PA

When reading through the research conducted on performance appraisals, a major issue that arose numerous times was the integration of the PA within the organization's overarching system of functioning. The PA process must be integrated from the top all the way down the ladder for the PA to be implemented successfully. Some critics maintain that there is typically a lack of resources provided by the organization to adequately institute the process (Roberts, 1998). Furthermore, the assessments made by management are often not comparable across the organization (Roberts, 1998; Bernardin et. al., 2000; Fletcher, 2001) and do not fit into the pre-existing job descriptions and developmental and administrative systems established by the organization (Eichel, & Bender, 1984; Grote, 1996; Roberts, 1998; Fletcher, 2001). An organization's goals are not always considered when a PA system is designed (Roberts, 1998). Another apparent challenge for PA to be effective is that the PA components are not given enough time to be completed (Roberts, 1998; Kondrasuk et al, 1999).

Time and Timing of PA

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

Deciding when to bring in new objectives has been another problem with the PA process. An evaluator may believe that the evaluatee should be given new objectives to further advance their progress or working success, but when and where to introduce these objectives is unclear. Are practitioners expected to wait to add recent important tasks until the next cycle starts because the present PA cycle is already established and in motion? Much of what causes the problem here is that the appraisal allows for feedback, but does not specifically give a time and place to create and set new objectives in a fast-changing world. Both the evaluator and evaluatee may deem it necessary to be done at different times and in different ways, which ultimately generates an unsettling problem.

Use of Results

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

RECENT RECOMMENDATIONS FOR IMPROVEMENT OF PA

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

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

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

THE MAIN ELEMENTS OF THE IDEAL PA

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

1. Include the Changes Recently Recommended

As we have seen, recent articles have recommended improvements to conduct PA such as the suggestions mentioned above. Those, as well as some others listed here, should be employed if possible. For instance, regarding the evaluator, it has often been recommended that the appraisers be trained in the process of appraisal. This way the manager can have more motivation and more skills to do a better job of appraising her subordinates' job performances. Many have recommended that there be more training of appraisers on how to use the results. There should be PA manuals (preferably online) available for further review and as-needed information. The system should make sure that users of the PA system are rewarded for properly conducting the PA system and applying the results. Make the PA system clear and relatively easy to perform so appraisers are not overwhelmed and over-extended. The ideal PA system must be practical in the sense that it is easy to use, understand, and administer. It must be useful for making decisions, and it must be cost effective. Make sure that audits of the PA system are conducted—that the system is reviewed frequently to spot problems and to make improvements.

With the greater use of computerization, the PA is more likely to get input from additional sources (e. g. 360-degree feedback) for a more well-rounded and accurate view of the appraisee's job performance. Responses to different achievement levels should be relatively standardized. For example, meeting standards gets a 3 % raise while exceeding standards obtains a 6 % pay increase. Have the performance appraisals flow through the total organization including, and having support from, the top management of the organization. It has been recommended that all PA's be conducted at the same time in the calendar year—not on each employee's anniversary date—to be more consistent in standards used for judgment. Assess the evaluatee's job performance on a more frequent basis—continuously if possible. This could include daily progress reports and/or feedback sessions between supervisor and subordinate. Also have specialists from the human resource (HR) department review the PA results for the same reason and to pick up biases (Staff of Employee Recruitment & Retention, 2010).

2. Clarify and Separate the Goals of Performance Appraisal

As previously stated, the ideal PA system could refer to a specific instrument, the PA interview, a PA system, or performance management. We have chosen to focus on PA as a system as described above. It is very important to realize that the ideal PA system is a concept and not a specific instrument. As Russell and Russell (2011) recently pointed out about performance management (which applies to PA as a system), it is a process and not a single event—a format and not a form.

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

3. Focus on Both Results and Behaviors

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

4. Add a Situation Appraisal Category

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

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

5. Alter the PA Process

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

To alleviate some of these aforementioned problems and at the heart of the new, ideal PA, it is recommended that the *PA be split into two parts* with 1) quick decisions being made regarding administrative decisions at the front end in setting the standards for the position for the year (or other time period) and at the end where the PA is done based on achieving the standards based on objective (measurable) results) evaluations. This will reduce the "limbo" time between ending one period and starting another as well as increase the consistency of evaluations across appraisees. 2) Then, in a second series of meetings, take more time to establish the individualized developmental goals at the beginning and use subjective/behavioral criteria to measure individual goal achievement at the end of the period. The discussions of extent of goal achievement here are to help the subordinate look at how to meet his personal goals for improving his work performance to achieve what he wants to on the job (e.g. be rated "excellent," to be promoted, or just to get by with an adequate work output until retirement). The supervisor does not have to act as a vengeful judge because all administrative decisions have already been made. The supervisor can focus on helping the self-motivated subordinate achieve her personal goals-- what she wants to accomplish—and increase the job performance of that employee. Focusing on employee goals encourages more involvement and engagement of the employee—thus increasing employee motivation to do the work on the job.

6. Involve More Constituencies in the Process

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

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

CONCLUSION

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

REFERENCES

Allen, Peter. (1994). Designing and Implementing an Effective Performance Appraisal System. *Review of Business*, 16(2), pp. 3-8.

Bernardin, H. J. (2003). *Human Resource Management*. Upper Saddle River, NJ: Prentice Hall.

Bernardin, H. J., Cooke, D. K. & Villanova, P. (2000). Conscientiousness and agreeableness as predictors of rating leniency. *Journal of Applied Psychology,* 85(2), 232-234.

Blau, G. (1999). Testing the longitudinal impact of work variables and performance appraisal satisfaction on subsequent overall job satisfaction. *Human Relations,* 52(8), 1099-1113.

Crow, R. (1996). You Cannot Improve My Performance By Measuring It! *Journal for Quality and Participation,* 91(1), 62-65.

Dessler, Gary. (2011). .*Human Resorce Management.* 12th ed., Upper Saddle River: Pearson Education Inc.

Eichel, E., & Bender, H. E. (1984). *Performance appraisal: A study of current techniques. An AMA research study (pp.* 22-57). New York: Research and Information Service, American Management Association.

Fandray, D. (2001). The new thinking in performance appraisals. *Workforce,* 80(5), 36-40.

Fiedler, F. E., Chemers, M. M., and Mahar, L. (1977). *Improving Leadership Effectiveness: The Leader-Match Concept*. New York: Wiley.

Fletcher, C. (2001). Performance appraisal and management: The developing research agenda. *Journal of Occupational and Organizational Psychology,* 74, 473-487.

Gold, Jeremy. (2010). Personal interview about General Mills performance appraisal approach by e-mail. March 5.

Gray, G. (2002). Performance appraisals don't work. *Industrial Management,* 44(2), 15-18.

Grote, Dick (2010). Employee performance appraisal—An ideal system. Buzzle.com, Retrieved 7 April 2000 at http://www.buzzle.com/articles/employee-performance-appraisal-ideal-system.html.

Grote, D. (2002). Performance appraisal. *Executive Excellence, 19(12),* 12-13.

Grote, Dick, and Grote, Richard C. (1996). *The Complete Guide to Performance Appraisal*. New York: AMACOM Div American Management Association.

Jafari, Mostafa, Bourouni, Atieh, and Amiri, Roozbeh Hesam. (2009). A new framework for selection of the best performance appraisal method. *European Journal of Social Sciences,* 7 (3), 92-100.

Kane, J. S. & Kane, K. F. (1992). The analytic framework: The most promising approach for the advancement of performance appraisal. *Human Resource Management Review*, 2(1), 37-70.

Kennedy, P. W. & Dresser, S. G. (2001). Appraising and paying for performance: Another look at an age-old problem. *Employee Benefits Journal,* 26(4), 8-15.

Kondrasuk, Jack N. (2010). So what would an ideal performance appraisal look like? *Proceedings of the National Business and Economics Society International Conference*. Kauai, HI, March.

Kondrasuk, J. N.; Crowell, Emi; Dillon, Kelly; Kilzer, Steven; & Teeley, Jarad (2008). Appraising performance appraisal: The problems. *Proceedings of the 16th International Conference 2008 of the Association on Employment Practices and Principles*, Chicago, IL.

Kondrasuk, J., Riley, M. & Hau, W. (1999). If we want to pay for performance, how do we judge performance? *Journal of Compensation and Benefits,* 15(2), 35-40.

Mayhew, Ruth (2011). Objectives of an annual performance review. *EHow*, Retrieved February 9, 2011, from http://www.ehow.com/info_7756080_objectives-annual- performance-review.html

McGrath, Chris (2010). Integrated organizational performance management. *The Industrial-Organizational Psychologist*. 47 (3), 17-19.

Neck, C. P., Stewart, G. L., & Manz, C. C. (1995). Thought self-leadership as a framework for enhancing the performance of performance appraisers. *Journal of Applied Behavioral Science,* 31(3), 278-302.

Odiorne, G. S. (1985). *Performance appraisal: What three companies are doing.* Chicago, IL: Commerce Clearing House, Inc.

Roberts, G. E. (1998). Perspectives on enduring and emerging issues in performance appraisal. *Public Personnel Management,* 27(3), 301-319.

Rupp, Holly (2010). Personal interview by telephone regarding Umpqua Bank's performance appraisal system. February 19.

Russell, J., and Russell, L. (2011). The next level of performance management. *T + D*, 64 (4), 42-48.

Staff of Employee Recruitment & Retention (January, 2010). Performance appraisals: Improve the process and avoid the problems. *Employee Recruitment & Retention,* Retrieved April 12, 2010 from http://www.managementresources.com/ME2/Sites/dirmod.asp?sid=&nm=&type=Publishing

&mod=Publications::Article&mid=8F3A7027421841978F18BE895F87F791&SiteID=473418383454426DA53DD03044F159BD&tier=4&id=5C3C747F192D44528E2412F439748CA7.

Thomas, S. L., and Bretz, R.D., Jr. (1994). Research and practice in performance appraisal: Evaluating employee performance in America's largest companies. *SAM Advanced Management Journal,* Spring, 59(2), 28-34.

Villanova, R., Bernardin, H. J., Dahmus, S. A., & Sims, R. L. (1993). Rater leniency and performance appraisal discomfort. *Educational and Psychological Measurement,* 53(3), 789-799.

Vinson, M. N. (1996). The pros and cons of 360-degree feedback: Making it work. *Training and Development,* 50(4), pp. 11-12.

Wilson, J. (1991). Performance appraisal for non-management staff. Successfully developing and implementing a system. *Industrial and Commercial Training,* 23(4), 28-31.

THE CORE OF RETAIL MISSION STATEMENTS: TOP 100 U.S. RETAILERS

M. Meral Anitsal, Tennessee Tech University
Ismet Anitsal, Tennessee Tech University
Tulay Girard, Penn State Altoona

ABSTRACT

The purpose of this study is to examine the mission statements of the top 100 U.S. retailers based on the 7Ps of services marketing mix framework. The authors elaborate on how this essential concept is used by retailers in the retailing context and discuss the implications on their organizational performance. Specifically, the information that retailers use in their mission statements to communicate with their shareholders are clustered using the 7Ps of services marketing mix. The content analyzed results of the mission statements of the top 100 U.S. retailers are discussed and suggestions for future research are provided.

INTRODUCTION

Retailers use mission statements to build long-term relationships with their customers, employees, and the community. Prior research demonstrates that the content of a mission statement has significant implications on the firm's performance (Alavi and Karami, 2009; Green and Medlin, 2003; Bart, 1998). The mission statement is a broad description of a firm's goals and objectives and the scope of activities it plans to undertake to achieve its goals (Campbell, 1997). It informs various shareholders what type of business the firm is in, its purpose, and how the firm builds a sustainable competitive advantage. Thus, firms and organizations typically use mission statements to communicate their purpose and goals to employees and stakeholders to simultaneously create an organizational culture and corporate identity (Peyrefitte and David, 2006). A firm's purpose stated in its mission statement distinguishes its business from its competitors, identifies its scope of operations, embodies its business philosophy, and reflects the image it seeks to project (Toftoy and Chatterjee, 2004).

Pearce (1982) identifies eight key components of mission statements: customers, products or services, markets, technology, concern for survival, growth, and profitability, philosophy, self-concept, and concern for public image.Wheelen and Hunger (2000) develop nine criteria to measure the completeness and quality of a mission statement: 1) purpose; 2) products and/or services; 3) competitive advantage; 4) scope of operations; 5) philosophy; 6) vision; 7) sense of shared expectations; 8) public image, and 9) emphasis on technology, creativity, and innovation.

Green and Medlin (2003) investigate the link between the completeness and quality of organizations' mission statements and their financial performance and find a significant positive relationship. They conclude that strategic managers can expect to improve the organization's financial performance by improving the organization's mission statement. With the purpose of providing guidance to strategic managers, this study content analyzes the mission statements of the top 100 retailers using the 7Ps of the services mix theory (i.e., product/service, price, place/distribution, promotion, people, physical evidence, and process including corporate responsibility). Additionally, the study further organizes the people element of the mission statement contents into employees, customers, stakeholders/investors, and community. Next, the literature on mission statements and 7Ps of marketing mix will be reviewed, the methodology of this study will be explained, and the data content analysis and major findings of the study are discussed. Finally, the paper draws conclusions, leading to propositions to guide further avenues for future research.

LITERATURE

The findings of research studies that examine the relationship between the mission statements and organizational performance are conflicting in the literature (O'Gorman and Doran, 1999). Bart and Baetz (1998) find no significant empirical evidence to support the relationship; though, they point out that some of the aspects of a mission statement may be related to higher levels of performance. However, Green and Medlin (2003) conclude that completeness and quality of a mission statement is linked to financial performance. Alavi and Karami (2009) find positive significant relationship between firms' mission statements and their financial performance in the small and mid-sized enterprise sectors. They further confirm that the presence of financial goals in mission statements is negatively associated with firm's performance. Alavi and Karami (2009) conclude that increasing the involvement of firm's non-managerial employees in the development of the mission statement increases financial performance.

The CNNfn.com Evaluator Summary provides eleven criteria to determine organizational performance: 1) revenue; 2) net income; 3) cash flow; 4) return on equity; 5) return on assets; 6) return on invested capital; 7) total debt to equity; 8) long-term debt to equity; 9) price/earnings ratio; 10) price/sales ratio, and 11) price/earnings/growth ratio (Green and Medlin, 2003). Because this study examines the mission statements of the top 100 U.S. retailers that were ranked based on their financial performance, it does not focus on examining the relationship between the content of their mission statements and financial performance. Instead, the main purpose of this study is to examine the mission statements of the top 100 U.S. retailers based on the 7Ps of services marketing mix framework and elaborate on which essential components are used by retailers and implications on their organizational performance. Specifically, it analyzes the information that retailers use in their mission statements to communicate with various stakeholders.

In a similar study, Peyrefitte and David (2006) analyze the mission statements of large U.S. firms across four industries (banking, computer hardware, computer software, and food processing) based on nine components (customers, products and services, markets, technology, survival/growth/profitability, philosophy, self-concept, public image, and employees). They find that the use of the components of the mission statements of these firms from four different industries were comparable responding to stakeholders in similar ways. The authors of this study propose that the mission statements of the top 100 U.S. retailers will differ in the inclusion of all of the 7Ps of the services mix in their mission statements. The next section will elaborate on the 7Ps of the services mix theory and how firms apply the 7Ps to their mission statements.

Application of the 7Ps of Services Mix Theory to Mission Statements

To the authors' best knowledge, this paper is the first study that discusses how each of the 7Ps of the services mix relates to mission statements in the literature. The 7Ps concepts (participants, physical evidence, process, price, place, promotion, and product/service), derived from the 4Ps of marketing mix theory, were originated by Shostack (1977a) and developed and defined by Booms and Bitner (1981).

Participants are the employees/personnel/associates, who deliver service, and also other customers, who participate in the service environment. The personnel-to-customer and customer-to-customer interactions are crucial to make the service experience pleasant and satisfactory (Anitsal, Girard andAnitsal, 2011). Thus, including the participants in mission statements can initiate a long-term relationship between the participants and the firm. In addition, including the participants (e.g., JC Penney's mission statement) in the mission statement demonstrates that the company cares for these stakeholders, which include resource providers such as customers and employees and the non-resource providers such as the community, and the environment (van Nimwegen, Bollen, Hassink, and Thijssens, 2008). van Nimwegen et al. (2008, p.77) conclude that "a failure to recognize and include essential stakeholders in the mission statement may be costly in the long run, particularly when competitors are better able to address these stakeholders".

Physical evidence is the environment in which the firm and customers interact and in which services or products are delivered; it can also be any tangible commodities which facilitate performance or communication of the service (Shostack 1977a; Booms and Bitner, 1981). In this respect, physical evidence can be considered as the presence of the company on the web, global markets, or locating at preferred shopping destinations (e.g., Target).

Process for service assembly is the actual procedures, mechanisms, and flow of activities by which the service is delivered (Booms and Bitner, 1981). Companies improve their processes using technology (e.g., Macy's), establishing guidelines, and working responsibly (e.g., Delhaize America). Including these components in mission statements could enhance not only operation efficiency but also customer perceptions of service quality and of how much the retailer cares about satisfying its customers.

While the tangible *Product* covers a wide range of variables such as brand name, quality of inputs, features, and options, the intangible nature of *services* results in simultaneous production and consumption (perishability) (Anitsal, Girard andAnitsal, 2011). Most companies adhere to a broader description of their products and services (e.g., CVS Caremark) while others may choose to list their specific products/services in their mission statements. Listing products/services can add value if they are being used as promotional tools to inform customers of what the firm provides to customers. Otherwise, listing specific products only limits the scope in case the firm decides to expand its product mix. Firms use positioning statements such as quality and performance they are delivering in their products (e.g., Ahold USA) and superior experience in their services (e.g., Rite Aid).

Price is both an economic variable in the marketing mix affecting the level of demand and a psychological variable affecting the customers' expectations of products' and/or services (Anitsal, Girard andAnitsal, 2011). A price strategy in a mission statement communicates the value proposition or promise the firm is making (e.g., Target).

Place or distribution decisionscan create value for customers by making the products available in accessible locations when needed. For services, customer accessibility involves participants, physical evidence, and process due to direct customer contact at the time of service delivery (Booms and Bitner, 1981). Mission statements can create value by providing information for accessibility at convenient places to stakeholders (e.g., Sears Holding).

Promotion involves not only traditional methods (such as advertising, personal selling, sales promotion, publicity, and direct marketing) but also participants, physical evidence and process relevant to services, which contribute to building sustainable competitive advantage. A mission statement can communicate the core values and value-driven culture of the firm (e.g., Home Depot).

Retailers use mission statements to build long-term relationships with customers, employees, and the community. Using the elements in the services mix promotes the relationships with firm's stakeholders. This paper focuses on the applications of the seven Ps of services mix to mission statements. The next section will describe the methodology of this study.

METHODOLOGY

The sample for this study is drawn from the top 100 U.S. retailers of 2008 list of the Stores magazine published by National Retail Federation. The list was regularly prepared based on U.S. retail sales volume. These stores represent multiple concentrations including department stores, grocery stores, pharmacies, bookstores, apparel retailers, restaurants, and specialty stores such as automotives, computers and cell phones as well as e-tailers. These names appeared on previous and more recent lists of top retailers. However, 2008 was selected as the research year because the toughest economic conditions were experienced in the whole U.S during the period between January 2008 - January 2009. These retailers represent the most successful businesses in the U.S. retail environment even in the most difficult periods for the market.

Data was collected from web sites of the retailers by a graduate student during September-November 2010. Mission statements of all 100 retailers were found on the web, and were transferred to an excel file. One of the researchers randomly checked the content of excel file and actual web sites for mistakes and typo errors. None was found. One researcher categorized the statements under seven Ps, while the other researchers performed validity and reliability checks of proper categorization. Researchers concurred with the 90 percent of the categorizations, and categorized the remaining 10 percent by using their best judgment.

Later, the mission statements were rated based on a scale used by David and David (2003). Mission statements were rated for each P of the services marketing and categorized as 1: statement does not include the component, 2: statement includes the component in vague terms, 3: statement includes the component in specific terms. Results were summarized in Table 1.

RESULTS AND DISCUSSION

Researchers were able to identify six out of seven Ps of services mix. The promotion component was not used in 99 percent of the mission statements. The only company referring to promotion in a vague way within their service strategy was McDonald's.

> *McDonald's: " Our worldwide operations have been aligned around a global strategy called the Plan to Win centering on the five basics of an exceptional customer experience – People, Products, Place, Price and Promotion. We are committed to improving our operations and enhancing our customers' experience."*

Another observation about the mission statements was 13 percent of them were written in theme mission statement style. In 1996, Leuthesser and Kohli (1996) identified that only a few companies used theme mission statements that use specific examples and explanations how the company planned to bring the mission statement to life in a story form. Apparently this trend was gaining momentum among top U.S. retailers. Kroger, Supervalue, Delhaize America, Staples provided some examples of theme mission statements where retailers weaved company values, philosophy and strategy into story.

> *Kroger: "OUR MISSION is to be a leader in the distribution and merchandising of food, health, personal care, and related consumable products and services. By achieving this objective, we will satisfy our responsibilities to shareowners, associates, customers, suppliers, and the communities we serve.*
>
> *We will conduct our business to produce financial returns that reward investment by shareowners and allow the Company to grow. Investments in retailing, distribution and food processing will be continually evaluated for their contribution to our corporate return objectives.*
>
> *We will constantly strive to satisfy the needs of customers as well as, or better than, the best of our competitors. Operating procedures will increasingly reflect our belief that the organization levels closest to the customer are best positioned to serve changing consumer needs.*
>
> *We will provide all associates and customers with a safe, friendly work and shopping environment and will treat each of them with respect, openness, honesty and fairness. We will solicit and respond to the ideas of our associates and reward their meaningful contributions to our success.*
>
> *We value America's diversity and will strive to reflect that diversity in our work force, the companies with which we do business, and the customers we serve. As a Company, we will convey respect and dignity to all individuals.*
>
> *We will encourage our associates to be active and responsible citizens and will allocate resources for activities that enhance the quality of life for our customers, our associates and the communities we serve."*

Table 1
MISSION STATEMENT CONTENT ANALYSIS

7 Ps of Service	Mean	Median	Frequency			Legend
			1	2	3	
People	2.39	3	13%	35%	52%	1: statement does not include the component, 2: statement includes the component in vague terms, 3: statement includes the component in specific terms
Product/Service	2.33	3	26%	15%	59%	
Process	2.07	2	29%	35%	36%	
Place	1.79	2	49%	23%	28%	
Price/Value	1.73	1	55%	17%	28%	
Physical Evidence	1.26	1	81%	12%	7%	
Promotion	1.01	1	99%	1%	0%	

People

According to the ratings the most elaborately mentioned component of 7Ps of services marketing is people. 52 percent of retailers included this statement in specific details in their mission statements. There was equal emphasis on customers, employees and shareholders. Some retailers also mentioned communities/neighborhoods.

> *J.C. Penney: "JCPenney is committed to serving our communities, our Associates, our Customers and the environment. What matters to you matters to JCPenney."*
>
> *Starbucks: "... aims to inspire and nurture the human spirit—one person, one cup, and one neighborhood at a time.*

Employees (Associates): Clearly mission statements were used to attract the best candidates for employment and to encourage them to commit and take responsibility. These statements also recognized employees as the essential component of retail experiences. Examples include the following.

> *Walgreens: "We will offer employees of all backgrounds a place to build careers."*
> *Best Buy: "Our formula is simple: we're a growth company ... —and we rely on our employees to solve those puzzles. Thanks for stopping."*
> *SUPERVALU: "Our success requires us to trust in our employees, respect their individual contributions and make a commitment to their continued development. This environment will allow us to attract the best people and provide opportunities through which they can achieve personal and professional satisfaction."*
>
> *Rite Aid: " ... Our knowledgeable, caring associates work together to provide a superior pharmacy experience, ..."*
>
> *Publix: " ... To that end we commit to be: ...Dedicated to the Dignity, Value and Employment Security of our Associates, ..."*

Customers: Retailers were aware of the fact that they had to create, communicate and deliver superior value to their customer for their continuing existence in the market place. Mission statements reflect that idea clearly.

Target: "Our mission is to make Target the preferred shopping destination for our guests by delivering outstanding value, continuous innovation and an exceptional guest experience ..."

Walgreen: "We will earn the trust of our customers and build shareholder value." "We will treat each other with respect and dignity and do the same for all we serve."

Sears Holdings: "To grow our business by providing quality products and services at great value when and where our customers want them, and by building positive, lasting relationships with our customers."

Safeway: "Our goal is to be the first choice for those customers who have the opportunity to shop locally in a Safeway store."

Ahold USA: "We make it easy for our customers to choose the best ... by putting the customer at the heart of every decision."

Shareholders (Investors): In the following mission statements, retailers acknowledge their investors

SUPERVALU: "Our responsibility to our investors is clear - continuous profit growth while ensuring our future success. SUPERVALU will prosper through a balance of innovation and good business decisions that enhances our operations and creates superior value for our customers."

Publix: "... To that end we commit to be: ... Devoted to the highest standards of stewardship for our Stockholders, and ..."

Product (and Service)

Product/ service was the second most used component in the mission statements of retailers (mean=2.33). Majority (59%) of retailers covered this statement in specific terms. Some examples of those which used it for the merchandise they carry in their stores and vaguely mention services they provided for customers were as follows.

Publix: "Our Mission at Publix is to be the premier quality food retailer in the world. ..."

Walgreen: "We will provide the most convenient access to consumer goods and services…and pharmacy, health and wellness services…in America."

Home Depot: "The Home Depot is in the home improvement business and our goal is to provide ..., the broadest selection of products and ..."

Costco: "To continually provide our members with quality goods and services ..."

IKEA North America: "Ikea's mission is to offer a wide range of home furnishing items of good design and function, excellent quality and durability, ..."

Retailers below referred the overall company as the product. They are more experience or retailer function focused.

CVS Caremark: "Above all else ... our mission is to improve the lives of those we serve by making innovative and high-quality health and pharmacy services ..."

SUPERVALU: "We shall pursue our mission with a passion for what we do and a focus on priorities that will truly make a difference in our future."

Rite Aid: "To be a successful chain of friendly, neighborhood drugstores. ... to provide a superior pharmacy experience, and offer everyday products and services ... lead healthier, happier lives."

Office Depot: "Delivering winning solutions that inspire worklife. TM

Ahold USA: "We make it easy for our customers to choose the best – for themselves and the people they care about. We do this through our strong local brands ... We strive to stand out from the competition by providing the best products in a relevant range, the best quality, ... , and the best choices for a healthy lifestyle – all in the simplest way possible."

HSN: "HSN is a leading interactive multichannel retailer, offering a curated assortment of exclusive products and top brand names to its customers. HSN incorporates experts, entertainment, inspiration, solutions, tips and ideas to provide an entirely unique shopping experience for its customers."

Few retailers tied their merchandise and services to specific characteristics of their customers. Whole Foods, Apple Stores, and Advanced Auto Parts were among these retailers. Here is an example from Apple Stores:

Apple: " ...easy to use products that incorporate high technology for the individual. We are proving that high technology does not have to be intimidating for noncomputer experts."

Process (and Corporate Responsibility)

Retailers also elaborated how they were going to achieve their objectives regarding people and product components. The process component contains description of the retailer's intended implementations. 22% of them also spelled out their social/corporate responsibility in their processes.

Macy's: "Our goal is to be a retailer with the ability to see opportunity on the horizon and have a clear path for capitalizing on it. To do so, we are moving faster than ever before, employing more technology and concentrating our resources on those elements ..."

Albertsons: "Guided by relentless focus on our five imperatives, we will constantly strive to implement the critical initiatives required to achieve our vision. In doing this, we will deliver operational excellence in every corner of the Company and meet or exceed our commitments to the many constituencies we serve. ..."

American Eagle Outfitters: "We operate in a dynamic and competitive industry. We continually refine the unique processes that drive our business, and we use insightful research and analysis to balance our instinct and to guide our decisions. Our associates embody entrepreneurial spirit, develop creative solutions, and initiate change."

Delhaize America: "Operating responsibly is core to our business strategy. Corporate Responsibility is one of three pillars of our strategy – The New Game Plan - alongside Growth and Efficiency. We are focused on continually improving the social and environmental performance of our business, in concert with our economic performance."

H-E-B:"We Promise to: Act with integrity and trust each other. Deliver on our commitments. Turn our ideas into action quickly. Maximize each store's unique potential. Leverage diversity in all facets of our business. Include customers in our fun and celebration. Produce double-digit sales growth with a profit. Always look for what is missing and what is next. "We Promise... to Keep Our Promises."

Place (Distribution)

Place element was specifically referred in 28% of mission statements and vaguely mentioned in 23 percent of them. A good example of theme based mission statement that included place element in detail was OSI Restaurant Partners (Famous Dave).

OSI Restaurant Partners: " Famous Dave's of America is committed to creating environments that transcend current restaurant offerings by serving the highest quality, flavor intense foods in surroundings that are stimulating, interesting, and fun. We will be guided by our values and beliefs, creating a culture of productive and empowered associates that provide a service atmosphere certain to delight our guests beyond their expectations. This will result in maximized value to our shareholders and partners. Our passion: 'Be Famous.' Famous Dave's is a flavor intense eating experience that smells great, musically makes you feel good, and visually creates an overwhelming impression that our guests will never forget. We provide exceptional service that wows our guests beyond their expectations, full portions that are value priced, and great flavorful food that creates a craving so strong that our guests are excited to return again with friends. Our purpose: 'Be Famous.' We are committed to becoming the best providers of barbeque in the nation. We create the best concept, prepare the best food, develop the best brand, and execute the best sensory experience for our guests. We are single-minded in being 'Famous."

The Bed Bath & Beyond and Sears mission statements were among the examples that vaguely mentioned the place component.

Bed Bath & Beyond: "... strives to provide a large selection of items and superior service at everyday low prices within a constantly evolving shopping environment that is both fun and exciting for customers."

Sears: "To grow our business by providing quality products and services at great value when and where our customers want them, and by building positive, lasting relationships with our customers."

Price (and Value)

Majority of mission statements (55 percent) did not include price. Only 28 percent used price in specific terms. Some of those retailers referred price as primary objective upfront in their mission statements. They intended to help customers save money.

Wal-Mart: "Wal-Mart's mission is to help people save money so they can live better."

TJX: "Our off-price mission is to deliver a rapidly changing assortment of quality, brand name merchandise at prices that are 20-60% less than department and specialty store regular prices everyday.

Target: " ... by consistently fulfilling our Expect More. Pay Less.® brand promise."

Ross Stores: " ...to provide exciting bargains, every day, in every store."

Big Lots: "To be the best at saving our customers money by creating excitement with brand name closeouts and bargains through a unique shopping experience."

Others (13%) were focused on providing low cost or low prices. Examples included Costco, Giant Eagle, Aldi, and Ikea.

Aldi: "Top quality at incredibly low prices – guatanteed."

Costco: "... goods and services at the lowest possible prices."

Some other (10%) retailers used price as a minor objective. Their price references were vaguer. Adjectives like *affordable*, *competitive*, and *best* were frequently used to describe prices.

Home Depot: "... our goal is to provide ... the most competitive prices."

CVS Caremark: "... our mission is ... health and pharmacy services safe, affordable and easy to access."

Lowe's: "We will provide customer-valued solutions with the best prices, ..."

Ahold USA: " We strive to stand out from the competition by providing ... the best prices, ..."

Value was also specifically mentioned in some of the retailers' mission statements. However, there was no consensus about what the meaning of value was. Some (14%) retailers used it in vague terms that may mean family /cultural values; where as some others (7%) used it to refer to low price, which also implied that, they valued their customers. Yet 11% talked about providing customer value.

Kohl's: "To be the leading family-focused, value-oriented, specialty department store offering quality exclusive and national brand merchandise to the customer in an environment that is convenient, friendly and exciting."

Home Depot: "We are a values-driven company and our eight core values include the following: Excellent customer service, Taking care of our people, Giving back, Doing the "right" thing, Creating shareholder value, Respect for all people, Entrepreneurial spirit, Building strong relationships"

Lowe's: "We will provide customer-valued solutions ... to make Lowe's the first choice for home improvement."

Sears Holdings: "To grow our business by providing quality products and services at great value when and where our customers want them, and by building positive, lasting relationships with our customers."

SUPERVALU: "By pursuing these goals, SUPERVALU will continue to build on our foundation as a world-class retailer and distributor that values long-standing ties with its constituents, and conducts its *business with integrity and ethics. We will continue to foster strong relationships with the diverse people and organizations with whom we work. Through open communication with our customers, employees, communities and shareholders, we will adapt to changing times while holding true to the fundamentals that support both our growth and stability."*

Rite Aid: "To be a successful chain of friendly, neighborhood drugstores. Our knowledgeable, caring associates work together to provide a superior pharmacy experience, and offer everyday products and services that help our valued customers lead healthier, happier lives."

Publix: "... To that end we commit to be: Passionately focused on Customer Value, ..."

Physical Evidence

Physical evidence of the service as a tangible element was the least mentioned component. Only 12 percent of retailers vaguely referred to it and 7 percent specifically used it. Retailers that preferred theme mission statements elaborately told their declaration of reasons for existence. Few examples include :

Staples: "Staples Soul reflects our commitment to corporate responsibility. ....We seek environmental excellence, by developing and sourcing environmental products, providing easy recycling services for our customers and associates, supporting energy efficiency and renewable energy, and educating stakeholders about environmental issues.

Whole Foods: "Whole Planet — We are committed to helping take care of the world around us, and our active support of organic farming and sustainable agriculture helps protect our planet. And while we assist our global neighbors through our Whole Planet Foundation's micro-lending operations, we also step out the back door of each of our stores to support food banks, sponsor neighborhood events and donate to local non-profit groups."

Trader Joe's was an example of specifically mentioning physical evidences of the companies commitments,

Trader Joe's: "... our mission is to bring our customers the best food and beverage values and the information to make informed buying decisions. There are more than 2000 unique grocery items in our label, all at honest everyday low prices. We work hard at buying things right: Our buyers travel the world searching for new items and we work with a variety of suppliers who make interesting products for us, many of them exclusive to Trader Joe's. All our private label products have their own "angle," i.e., vegetarian, Kosher, organic or just plain decadent, and all have minimally processed ingredients.

CONCLUSION

Denton (2001) stated that mission statements were similar to personal identity. They reveal authentic reasons for the existence of organizations; include concepts like competitive distinctiveness, customer definition, product/service definition, and core values (Greengarten-Jackson, et al. 199). Internally, they help employees to understand goals of retailer, and guide top management in decision making. As a result, mission statements can establish a common purpose among all employees of the organization (Forbes and Seena, 2006). They communicate corporate culture. They are enduring. Externally, they provide an indication of strategic direction of the organization for all stakeholders such as investors, customers, suppliers, new applicants, and even competitors.

The relationship between commitment to quality of life in mission statements and organizational performance was documented for large companies (Amato and Amato, 2002). An enhanced organizational climate resulting from the dynamic communications among all levels of management was directly linked to better organizational performance. Later, Alavi and Karami (2009) found similar results for small and medium enterprises. Apparently, non-managerial employees' involvement in the process of mission statement development had a significant impact on the bottom-line performance of these organizations.

Companies that were included in the top 100 U.S. retailers list had outstanding performance in tough economic times. This study indicated that all had mission statements, and some of these mission statements were elaborately written in theme mission statement style. Seven Ps of services marketing provided framework to content analyze successful retailers' mission statement.Other service organizations can learn from top performing retailers and their mission statements.

The most important component of these mission statements was people. Retailers elaborated how they were interacting with each stakeholder; primarily customers and associates. Even though they did not give specific financial goals to shareholders, they promised the best stewardship for their investments.

The second most important component was product/service they were providing for their customers. The distribution function of marketing can be clearly seen in the definition of services. They tried not to narrowly define their business, so that they can extend their services to customers to provide convenience and easy access.

The third important component was the processes through which they intended to serve their stakeholders. These processes included social responsibility of these organizations towards all stakeholders, environmental consciousness and ethical standards. Process component frequently included statements about how they were going to implement their promise to customers, associates, and investors on a daily basis.

The fourth and fifth components were place and price/value respectively. About half of the retailers mentioned place, in other words, exciting and fun shopping experience or stores where customers and associates would enjoy being in. Providing best, low, great prices and value for customers were also parts of retailers' mission statements.

Physical evidence and promotion were rarely mentioned if at all. These were actually minor in overall mission development, and were usually consequences of the first five components. However, they were important components that support self-image of the organization as perceived by stakeholders. Therefore, it is important to monitor fit among revealed organizational norms, values, scope of activity and how they reflect in physical evidence and promotions conducted by the organization.

This research was focused only on the top 100 retailers of the U.S. and cannot be generalized beyond this group. Replication of this research among other retailers such as specialty retailers, on-line retailers or global retailers will provide more rigor to the conclusions. Also, inclusion of other industries will generate interesting observation and comparison opportunities. Another research avenue may be examining the relationship among seven Ps of services and organizational performances.

REFERENCES

Alavi, Mohammad T. and AzhdarKarami.(2009). Managers of small and medium enterprises: mission statement and enhanced organizational performance. *Journal of Management Development*, 28 (6), 555-562.

Amato, Christie H. and Louis H. Amato.(2002). Corporate commitment to quality of life: Evidence from company mission statements. *Journal of Marketing Theory and Practice,* Fall, 69-87.

Anitsal, Ismet; Tulay Girard and M. Meral Anitsal.(2011). An application of services marketing mix framework: how do retailers communicate information on their sales receipts? *Business Studies Journal*, In Press.

Bart, C.K..(1998). A comparison of mission statements and their rationales in innovative and non-innovative firms. *International Journal of Technology Management*, 16 (1-3), 64-77.

Bart, C.K..and M. Baetz. (1998). The relationship between mission statements and firm performance: An exploratory study. *Journal of Management Studies*, 35, 823-826.

Booms, B. H. &Bitner, M.J. (1981).Marketing strategies and organization structures for service firms.*American Marketing Association Proceedings*, eds. James H. Donnelly and William R. George, 47-51.

Campbell, Andrew. (1997). Mission statements. *Long Range Planning*, 30, 931-33.

David, Forest R. and Fred R. David.(2003). It's time to redraft your mission statement. *Journal of Business Strategy, January/February, 11-14.*

Denton, Keith. (2001). Mission statements miss the point. *Leadership and Organization Development Journal,*22 (7), 309-314.

Forbes, David J and SijuSeena.(2006). The Value of a mission statement in an association of not-for-profit hospitals.*International Journal of health Care Quality Assurance,*19 (5), 409-419.

Green, Kenneth W., Jr. and Bobby Medlin.(2003). The strategic planning process: The link between mission statement and organizational performance. *Academy of Strategic Management Journal,* 3 (2), 23-32.

Greengarten-Jackson, Jill, Siew Choi Yau, Howard Gitlow, and Terri A. Scandura.(1999). Mission statements in service and industrial corporations.*International Journal of Quality Science,* 1 (1), 48-61.

Leuthesser, Lance and ChiranjeevKohli.(1996). Mission statements and corporate identity. Proceedings of The Annual Conference of the Academy of Marketing Science, eds. Elizabeth J.Wilson and Joseph F. Hair, Phoenix, Arizona, 19, 145-148.

O'Gorman, C. and R. Doran.(1999). Mission statements in small and medium-sized businesses.*Journal of Small Business Management*, 37, 59-66.

Peyrefitte, Joseph and Forest R. David.(2006). A content analysis of the mission statements of United States firms in four industries.*International Journal of Management*, 23 (2), 296-301.

Pearce II, J. A. (1982). The company mission as a strategic tool.*Sloan Management Review*, (Spring), 15-24.

Shostack, G. L. (1977), "Human evidence: A new part of the marketing mix," *Bank Marketing*, March, 32-34.

Toftoy, C.N. and J.Chatterjee.(2004). Mission statements and the small businesses.*Business Strategy Review*, 15 (3), 41-44.

Van Nimwegen, G., LauryBollen, Harold Hassink, and Thomas Thijssens.(2008). A stakeholder perspective on mission statements: An international empirical study. *International Journal of Organizational Analysis*, 16 (1/2), 61-82.

Wheelen, T. and J. Hunger.(2000). *Strategic Management*. Upper Saddle River, NJ: Prentice Hall.