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LETTER FROM THE EDITOR

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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.

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RETAIL MISSION STATEMENTS: TOP 100 GLOBAL RETAILERS

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ABSTRACT

This study examines the mission statements of the top 100 global retailers using the 7Ps of services marketing mix framework. The authors explain how this framework is used by the global retailers to communicate their missions with their stakeholders. The content analyzed results of the mission statements of the top 100 global are discussed. The study concludes with several comparisons between the top 100 global retailers and 100 U.S. retailers. Suggestions for future research are also provided.

INTRODUCTION

Organizational communication is vital for both internal and external publics (Leuthesser and Kohli 1997; King, Case and Premo 2010). Specifically, global retailers communicate with multiple stakeholders at multiple fronts. They use mission statements as an overall guide for their employees (associates) helping customers. In terms of customers (clients), they utilize mission statements as a way to build long lasting relationships. This is also true starting point for global retailers in terms of how they maximize shareholders' (investors) wealth and serve communities for their well being.

Many high-performing firms owe their performance to engraving their vision and mission statements in the hearts and minds of their people (Ahmad and Chopra 2004). A firm can try to influence its reputation positively and therefore position itself within its marketplace (Chun and Davies 2001; van Riel and Balmer 1997) by communicating its identity (Barnett, Jermier and Lafferty 2006) in its mission statement. Building corporate identity involves a management process of building corporate personality through corporate philosophy and values (Stuart 1999) and often included in the corporate web site of firms, accessible by all stakeholders (Chun 2004), to form their online brand personality. Therefore, mission and vision statements are important media for conveying these values and emphasizing uniqueness (Leuthesser and Kohli 1997; Yamauchi 2001).

Mission statements serve as an important strategic tool in forming an identity and guiding a direction for an organization (Falsey 1989; Campbell 1997; Leuthesser and Kohli 1997; Denton 2001; Mullane 2002; Williams 2008). In mission statements, organizations declare "the reason for being" (David 2009; King, Case and Premo 2010), define themselves as "who they are" and "what they do" (Falsey 1989), and broadly share their world views with multiple stakeholders as what they aspire to accomplish based on how they define their business (Drucker 1974; King, Case and Premo 2010). Sometimes organizations refer to such statements as mission statements; while other times, they title the same or similar statements under different names such as mission, corporate principles, company philosophy, core values, or credo (Williams 2008). Mission statements can be as short as a single sentence or as long as a page in the case of theme based statements. However, it should ideally be longer than a phrase and shorter than a two-page document (David and David 2003).

Green and Medlin (2003) find a significant positive relationship between the completeness and quality of organizations' mission statements and their financial performance. David and David (2003) indicate that according to a *Business Week* report, companies with well-crafted mission statements incurred thirty percent higher return on certain financial measures than companies that did not have well-crafted mission statements. They conclude that the overall lack of completeness in mission statements exists for companies in the computer, food and banking industries. In addition, Sattari, Pitt, and Caruana (2011) criticize that the mission statements of the one hundred Fortune 500 companies that they studied are not readable because they are written for an audience of a university graduate level.

Components of mission statements have been analyzed continuously from different perspectives in different contexts (Bart 1997; Bart and Baetz 1998; Bart and Hupfer 2004; Anitsal, Girard, and Anitsal 2012a). Pierce (1982) identifies eight components in mission statements: customers, products/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 ensure the quality of a mission statement: purpose, products/services, competitive advantage, scope of operations, philosophy, vision, sense of shared expectations, public image, and emphasis on technology, creativity, and innovation. Williams (2008) analyzes the mission statements of the Fortune 1,000 firms and finds that high performing firms included in their mission statement eight of the nine recommended components more than did the lower performing firms. Three of the components—survival, public image, and employees—were included significantly more often by the high-performing firms. The recommended information components include customers, employees, products/services, markets, technology, distinctive competence, philosophy, desired public image, and concern for growth and survival (David and David 2003).

Because significant differences have been found between high and low performing firms (Williams 2008), across industries (David and David, 2003) and based on how well-developed companies' mission statements are, the present authors further investigate the mission statements of top 100 global retailers and conclude with several comparisons between the mission statements of the top 100 global retailers and the top 100 U.S. retailers. The authors believe that even if some of the top 100 global and the top U.S. retailers belong to both groups, there may still be prominent differences in their mission statement that make them stand out from the rest of the retailers that do not belong to both groups.

FRAMEWORK

The 4Ps of marketing; namely product, place, promotion, and price, appeared as a model to organize thought in marketing literature long time ago (Shostack 1977; Booms and Bitner 1981). Recognized differences of services compared to products encourage researches to add three more Ps (participants, physical evidence, and process) into this model.

Because products include both tangible goods and services, even ideas, any referral or description of services in mission statements of top global retailers will be categorized as product in this research. The second P includes, place or distribution element that involves making products/services available when and where customers want them. Information regarding accessibility will be classified under place. Promotion involves referral to all communication activities through traditional and non-traditional media. Price as an economic variable may be communicated as low, reasonable or competitive price. Price may also be referred as a psychological variable under "value." Both of these references will be categorized under the price element.

Participants/people are extremely important in services marketing. This variable includes not only employees but also customers, shareholders and general public (van Nimwegen, Bollen, Hassink, and Thijssens 2008; Anitsal, Girard and Anitsal 2012a). Physical evidence is the tangible elements of the service, and that global retailers provide to their stakeholders. Any referral to physical facilities, including stores or distribution centers and non-physical spaces, such as websites, Facebook or Twitter, will be categorized under physical evidence. Finally, processes are essential elements of service that customers need to understand to be able to function efficiently and effectively in the co-production of the service. These processes include activities such as actual procedures, work flows, guidelines, and social responsibility. Components of mission statements referring to operations will be categorized under processes.

To build long-term relationships with customers, employees, shareholders and the community, retailers can use the elements of the services mix in their mission statements to promote their corporate identity to firm's stakeholders. Therefore, this paper focuses on the examining 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 based on an annual list provided in "Global Powers of Retailing Top 250" prepared by Deloitte and STORES Media published by the Stores magazine in January 2011, sponsored by the National Retail Federation. This study covers the top 100 global retailers based on their total sales revenues around the globe. Top five global retailers include Wal-Mart Stores, Inc. (U.S.); Carrefour SA (France); Metro AG (Germany), Tesco plc (UK) and Schwarz Unternehmens Treuhand KG (Germany). Those global retailers made $405.0 billion, $119.9 billion, $90.9 billion, $90.4 billion and $77.2 billion in retail sales in 2009, respectively. The remaining global retailers come from a diverse background in terms of the store formats such as hypermarket, supercenter, superstore, cash & carry, warehouse club, discount store, home improvement, drug store/ pharmacy, electronics specialty, convenience store, and e-tailer. In terms of country of origin, El Corte Ingles, S.A. (Spain), for example, operated department stores in 84 countries, while 28 global retailers had operations in only one country.

The mission statements data were collected from the web sites of top 100 global retailers by a graduate student in the fall semester of 2011. Thirteen retailers were identified as privately held companies such as Schwarz Unternehmens Treuhand KG, Aldi Einkauf GmbH & Co. oHG, Edeka Zentrale AG & Co. KG, Groupe Auchan SA, Centres Distributeurs E. Leclerc and J Sainsbury plc. A total of seven mission statements could not be obtained because either the company website and/or contact information for clarification could not be located for two Japanese, two French, one German, one Italian and one Finnish global retailers. Researchers emailed 31 global retailers in English, French or German for their mission statement information, only 12 retailers responded as of the writing of this paper. Four retailers stated that they do not have a formal or declared mission statement. Instead they provided their company principles or philosophies that have been substituted as their mission statements in this study. As a result, 78 mission statements of global retailers were used for this study, while 22 global retailers' mission statements could not be obtained.

The collected mission statements were checked for potential errors by one of the researchers by randomly revisiting the retailer websites. Validity and reliability checks were performed after the mission statements were categorized under the seven Ps of services marketing mix. Researchers concurred with the common categorization of 7Ps and theme-based mission statements by 96 percent of the time. Best judgment was used to categorize the remaining. Next, the mission statements were rated under each P category using the following scale used by David and David (2003): 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 all seven Ps of the services marketing mix in the mission statements of top 100 global retailers; with an exception of the promotion element. This was similar to the prior study of the mission statements of the top 100 U.S. retailers by Anitsal, Anitsal and Girard (2012b).

Theme mission statements hold 17 percent of all mission statements of the top 100 global retailers. When the U.S. based global retailers are excluded, this dropped to 15 percent. The theme based format is not very common form of mission statements as theme mission statements use a story form to explain how a retailer will carry out the content of the mission in practice (Leuthesser and Kohli 1997). The following includes some theme-based mission statements for top global retailers from multiple countries; namely, Home Depot (U.S.), Rewe-Zentral AG (Germany), J Sainsbury plc (UK), John Lewis Partnership plc (UK) and Kroger (U.S.)

> *Home Depot (U.S.): "The Home Depot is in the home improvement business and our goal is to provide the highest level of service, the broadest selection of products and the most competitive prices. 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.*

> *Rewe-Zentral AG (Germany): "Reinforce the Group's common identity while boosting the long-term solidarity of every part of the business, including employees and retailers united under the umbrella of the REWE Group. The core values of the REWE Group:*
>
> *We act personal independently in the interest of the Group!*
> *We work for the customer. We work at the heart of the market!*
> *We welcome new directions. Change is vital to our survival!*
> *We act with integrity and treat one another with respect. We keep our word!*
> *We strive to find the best solutions, take well-considered decisions and act consistently!*
> *We recognize our responsibilities and act sustainably! "*

> *J Sainsbury plc (UK): "Our Values: Our five values provide the framework for how we do business at Sainsbury's. They guide us in everything we do - from key business decisions to day-to-day activities. Best for food and health: As part of our long heritage of providing great food at fair prices, we aim to be 'Best for food and health'. Sourcing with integrity: By 'Sourcing with integrity', we aim to provide our customers with quality products at a fair price, doing so in a way that's better for the animals, farmers, growers and workers involved, and which minimises our impact on the environment. Respect for our environment: At Sainsbury's, respecting the environment is about doing the right thing. We aim to be the UK's greenest grocer, which is great for our business but even better for the environment. Making a positive difference to our community: For us, retailing is about more than quality products and great service. It's also about supporting and helping the communities where we work, and being a good neighbour. We aim for our stores to be at the heart of the communities they serve. A great place to work: We rely on the 150,000 colleagues working in our stores, offices and depots to provide great service for our customers every single day. They are the face of Sainsbury's, and crucial to our business goals. So being 'A great place to work' is naturally important to us."*

> *John Lewis Partnership plc (UK): "... The John Lewis Partnership's seven principles define how we run our business. ... Purpose: The Partnership's ultimate purpose is the happiness of all its members, through their worthwhile and satisfying employment in a successful business. Because the Partnership is owned in trust for its members, they share the responsibilities of ownership as*

well as its rewards profit, knowledge and power. ... Profit: The Partnership aims to make sufficient profit from its trading operations to sustain its commercial vitality, to finance its continued development and to distribute a share of those profits each year to its members, and to enable it to undertake other activities consistent with its ultimate purpose. Members: The Partnership aims to employ people of ability and integrity who are committed to working together and to supporting its Principles. Relationships are based on mutual respect and courtesy, with as much equality between its members as differences of responsibility permit. The Partnership aims to recognise their individual contributions and reward them fairly. Customers: The Partnership aims to deal honestly with its customers and secure their loyalty and trust by providing outstanding choice, value and service. Business relationships: The Partnership aims to conduct all its business relationships with integrity and courtesy and to honour scrupulously every business agreement. The community: The Partnership aims to obey the spirit as well as the letter of the law and to contribute to the wellbeing of the communities where it operates."

Kroger (U.S.): "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: Content Analysis of the Top 100 Global Retailers									
7 Ps of Services Marketing Mix	Percent Distributions								
	Top 100 U.S. Retailers			Top 100 Global Retailers (Including US Retailers)			Top 100 Global Retailers (Excluding US Retailers)		
	1	**2**	**3**	**1**	**2**	**3**	**1**	**2**	**3**
People	13%	35%	52%	16%	39%	45%	23%	44%	33%
Product/Service	26%	15%	59%	10%	22%	68%	13%	27%	60%
Process	29%	35%	36%	26%	34%	40%	27%	31%	42%
Place	49%	23%	28%	39%	35%	26%	46%	35%	19%
Price/Value	55%	17%	28%	49%	30%	21%	54%	33%	13%
Physical Evidence	81%	12%	7%	79%	17%	4%	85%	10%	4%
Promotion	99%	1%	0%	100%	0%	0%	100%	0%	0%
Legend: 1. Statement does not include the component 2. Statement includes the component in vague terms 3. Statement includes the component in specific terms									
Notes: Adapted from Anitsal, Anitsal and Girard (2012b); Top 100 Global Retailers information was based on 78 mission statements including 29 U.S. retailers; 22 were missing; Top 100 Global (Excluding U.S Retailers.) information was based on 49 mission statements; 29 U.S. retailers were excluded.									

People

Forty-five percent of the top 100 global retailers seem to pay much attention to the people component of the seven Ps of services marketing mix. People component includes general stakeholders, or employees (associates), customers and shareholders (investors) for their retail business. Many global retailers highlighted the importance of people component in their mission statements, while their emphasis was centered on the customer element.

Stakeholders

Some global retailers such as Koninklijke Ahold N.V. (Netherlands) and Macy's (U.S.), in their mission statements, address directly to their stakeholders with an equal emphasis. Those stakeholders included employees (associates), customers and shareholders (investors), but also suppliers (vendors), communities, financial analysts and news media.

Koninklijke Ahold N.V. (Netherlands): "Our vision is to offer all of our stakeholders – our customers, employees, suppliers, shareholders, and the communities we serve – better choice, better value, better life, every day."

Macy's (U.S.): "Macy's, Inc. is committed to open and honest communications with employees, shareholders, vendors, customers, financial analysts and the news media. The company seeks to be proactive in sharing information and in keeping these key stakeholder groups up-to-date on important and material developments."

Employees (Associates)

Best Buy Co., Inc. (U.S.) underlines the importance of employee roles in meeting the customer needs. Sears Holdings Corp. (U.S.) and Rite Aid (U.S.) add into that knowledge, teamwork, integrity, friendliness, care and energy of those employees that are an integral part of the solution. With those qualities in mind, SuperValu Inc. (U.S.) and Publix (U.S.) also put an emphasis on recruiting trusted, dedicated and committed employees in helping customers towards employee satisfaction and employment security. Some of the examples of such mission statements include the following:

> *Best Buy Co., Inc. (U.S.): "Our formula is simple: we're a growth company focused on better solving the unmet needs of our customers—and we rely on our employees to solve those puzzles."*
>
> *Sears Holdings Corp. (U.S.): "... In our associates we value teamwork, integrity and positive energy."*
>
> *SuperValu Inc. (U.S.): "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."*
>
> *Publix (U.S.): " ... To that end we commit to be: ... Dedicated to the Dignity, Value and Employment Security of our Associates, ..."*
>
> *Rite-Aid Corporation (U.S.): " ... Our knowledgeable, caring associates work together to provide a superior pharmacy experience, ..." "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."*

Customers

The goal of marketing is customer satisfaction, and customer value is the core of all marketing activities. Global retailers seem to understand this basic premise as they incorporate the customer element into their mission statements frequently.

Groupe Adeo SA (France), Shoppers Drug Mart Corporation (Canada) and Wesfarmers Ltd. (Australia) set their goal as customer satisfaction, while Meijer, Inc. (U.S.) emphasizes that retailers definitely need customers, not the other way around, because customers have plenty of alternative channels and retailers for their shopping.

Groupe Adeo SA (France): “Our goal [is] to satisfy our customer”

Shoppers Drug Mart Corporation (Canada): “To be the leading drugstore retailer in all communities across Canada by providing superior customer satisfaction beyond expectation, resulting in a hassle free, feel good experience. “

Wesfarmers Ltd. (Australia): “... satisfying the needs of customers through the provision of goods and services on a competitive and professional basis”

Meijer, Inc. (U.S.): "... Customers don't need us, we need them."

Customers are important for global retailers. Alimentation Couche-Tard, Inc. (Canada) focuses on its customers in daily operations. Being closer to customers or developing close ties with those customers is important for Casino Guichard-Perrachon S.A. (France) and Coop Group (Switzerland), respectively. Amazon.com, Inc. (U.S.) and Aeon Co., Ltd. (Japan), for example, try to learn their beliefs and desires by being customer centric companies.

Alimentation Couche-Tard, Inc. (Canada): “Day-to-day focus on the customer”

Casino Guichard-Perrachon S.A. (France): “Leveraging its close ties with customers, the Group has based its development on the ability to anticipate and support new consumer trends.”

Coop Group (Switzerland): “Coop aims to be better and closer to its customers than any other retailer in Switzerland”

Amazon.com, Inc. (U.S.): “Our vision is 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.”

Aeon Co., Ltd. (Japan): “The customers’ beliefs and desires comprise the central core of our philosophy. At AEON, our eternal mission as a corporate group is to benefit our customers, and our operations are thus customer-focused to the highest degree.”

One of the goals for global retailers such as The TJX Companies, Inc. (U.S.) is to exceed their customers’ expectations. Gome Home Appliance Group (China), for example, aims to serve its customers best, while The Great Atlantic & Pacific Tea Company, Inc. (U.S.) tries to provide personal service to millions of its customers. Their mission statement details are as follow:

The TJX Companies, Inc. (U.S.): “At The TJX Companies, Inc., our mission is to exceed the expectations of our customers, every day.”

Gome Home Appliance Group (China): "GOME’s mission is to best serve our customers. We are committed to providing our customers with competitive prices, wide product selection, convenient locations and professional customer service. We firmly believe that good shopping experience is essential to building customer goodwill and royalty."

The Great Atlantic & Pacific Tea Company, Inc. (U.S.): "Our goal is to bring personal, one-to-one service to millions of customers living in the diverse communities of the Northeast."

Global retailers such as Home Retail Group plc (UK) provide value and convenience to their customers. Long-term strategies and short-term tactics used by global retailers are multiple. Dollar General Corp. (U.S.) "keep[s] it real" and "keep[s] it simple." Sears Holdings Corp. (U.S.) and Woolworth's Ltd. (Australia) concentrate on quality to improve their customers' lives while building long-term relationships with their customers. Those notions have been supported by Seven & I Holdings Co., Ltd.'s (Japan) aspiration for "rich and quality lifestyle" goal for its customers.

Home Retail Group plc (UK): "We build successful businesses that bring unrivalled convenience and value to customers' everyday lives, whether shopping at home or on the move."

Dollar General Corp. (U.S.): "In Dollar General, you'll find a company that embraces substance and simplicity. Our mission is to serve others. And, we think our customers are best served when we keep it real and keep it simple."

Sears Holdings Corp. (U.S.): "Sears Holdings is committed to improving the lives of our customers by providing quality services, products and solutions that earn their trust and build lifetime relationships."

Woolworth's Ltd. (Australia): "Quality is extremely important to Woolworths. Our aim is to provide the best possible quality across all of our stores. If customers experience inconsistent quality levels when they eat our food, then they are less likely to buy it again."

Seven & I Holdings Co., Ltd. (Japan), "Seven & i Holdings helps customers live a rich and quality lifestyle by creating what we call the "New, Comprehensive Lifestyle Industry" comprising new distribution services."

Major global retailers try to provide satisfaction to their customers. They want to exceed expectations of their customers in multiple fronts. Retailers have different methods to accomplish this goal. Those include factors including being customer-centric, competitive prices, high quality, great selection, superior customer service, convenient location, continuous innovation, desired lifestyle, long-term relationships and customer value. Global retailers, as a result, may become an "indispensable store" as demonstrated by Isetan Mitsukoshi Holdings Ltd. (Japan). When retailers earn and keep the loyalty of their customers, as summarized in Safeway Inc.'s (U.S.) mission, those global retailers will be able to generate sustainable profits for their shareholders. The mission statements of these retailers are as follow.

Isetan Mitsukoshi Holdings Ltd. (Japan): "Becoming "my indispensable department store for each individual customer throughout his or her life by continually creating high quality, new lifestyles and being of use to our customers in the many different aspects of their lives."

Safeway Inc. (U.S.): "We earn the loyalty of the people we serve by first anticipating, then fulfilling their needs with our superior-quality products, a unique shopping experience, customer-focused service and continuous innovation, while generating long-term profitable growth for our shareholders."

Shareholders (Investors)

Profitable growth is important for shareholders. SuperValu Inc. (U.S.), for example, stresses the importance of continuity in profitable growth, while Publix (U.S.) broadly states the importance of stewardship for their stockholders at the highest level. Jerónimo Martins, SGPS SA (Portugal) supports those ends by emphasizing legitimate interests of its shareholders. The following quotes represent some details from their mission statements:

SuperValu Inc. (U.S.): "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 (U.S.): "... To that end we commit to be: ... Devoted to the highest standards of stewardship for our Stockholders, and ..."

Jerónimo Martins, SGPS SA (Portugal): "... operates in the food sector in the fields of Distribution and Manufacturing in order to satisfy the legitimate interests of its shareholders, ..."

Product (and Service)

Product/service component was quite common in the mission statements of global retailers. Many global retailers (68 percent) covered this component in specific terms. Essentially they mentioned the variety of their products and services, or solutions, in their mission statements.

Walgreen's (U.S.): "We will provide the most convenient access to consumer goods and services…and pharmacy, health and wellness services…in America. "

Kesko Corporation (Finland): "Kesko is the leading provider of trading sector services and a highly valued listed company."

Publix Super Markets, Inc. (U.S.): "Our Mission at Publix is to be the premier quality food retailer in the world. ..."

Mercadona, S.A. (Spain): "Prescribers of solutions necessary for 'The Boss' to do the Total Shopping."

ICA AB (Sweden): "ICA's vision is to make every day a little easier. Its mission is to be the leading retailer with a focus on food and meals."

Some global retailers combined their lines of products and services with how they serve them. Specifically, they mentioned quality, price, location, respect, commitment, quality of life, cultural values and shopping experience. Following include detailed quotes from the mission statements of the global retailers.

Cencosud S.A. (Chile): "To be the most profitable and prestigious retailer in Latin America, based on our excellent quality of service, our respect for the communities with which we live and the commitment of our team of collaborators to the basic tenets of our company: vision, challenge, entrepreneurship and perseverance."

The IKEA Group (INGKA Holding B.V.) (Sweden): "At IKEA our vision is to create a better everyday life for the many people. Our business idea supports this vision by offering a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them.

LVMH Moet Hennessy-Louis Vuitton (France): "Our products, and the cultural values they embody, blend tradition and innovation, and kindle dream and fantasy."; "Aim for product excellence "

Shoprite Holdings Ltd. (South Africa): "The guiding mission of the Shoprite Group of Companies is to be the consumers' preferred shopping destination, by retailing food and non-food products at the Group's lowest prices from conveniently located outlets in an environment that is conducive to a comfortable and enjoyable shopping experience."

WM Morrison Supermarkets plc (UK): "Our constant focus on freshness, great value and outstanding service is appealing to more and more people."

Similar to the top 100 U.S. retailers (Anitsal, Anitsal and Girard 2012b), some of the top 100 global retailers also referred the overall company as the product. Those examples include Kingfisher plc (UK), CVS Caremark Corp. (U.S.), Loblaw Companies Ltd. (Canada), Lowe's (U.S.), SuperValu Inc. (U.S.), AS Watson & Company, Ltd. (Hong Kong SAR), Alliance Boots GmbH (UK), Macy's (U.S.), Empire Company Limited (Canada) and Edeka Zentrale AG & Co. KG (Germany).

Kingfisher plc (UK): "Our ambition is to be the world's leading local home improvement retailer"

CVS Caremark Corp. (U.S.): "We provide expert care and innovative solutions in pharmacy and health care that are effective and easy for our customers."

Loblaw Companies Ltd. (Canada): "To be Canada's best food, health and home retailer by exceeding customer expectations through innovative products at great prices."

Lowe's (U.S.): "We will provide customer-valued solutions with the best prices, products and services to make Lowe's the first choice for home improvement."

SuperValu Inc. (U.S.): "We will provide America's Neighborhoods with a superior grocery shopping experience enhanced by local expertise, national strength and a passion for our customers."

AS Watson & Company, Ltd. (Hong Kong SAR): "To be the world's leading health, beauty and lifestyle retailer."

Alliance Boots GmbH (UK): "Our mission is to become the world's leading pharmacy-led health and beauty group. We seek to develop our core businesses of pharmacy-led health and beauty retailing and pharmaceutical wholesaling across the world and become a significant player in many major international markets."

Macy's (U.S.): "Macy's, Inc. is a premier national omnichannel retailer with iconic brands that each operates outstanding stores and dynamic online sites. Both Macy's and Bloomingdale's are known worldwide, ..."

Empire Company Limited (Canada): "... Empire has focused on food retailing and related real estate as never before. ... Empire's food retailing and real estate divisions are working together to support Sobeys' goal of being widely recognized as the best food retailer in Canada."

Edeka Zentrale AG & Co. KG (Germany): "Many entrepreneurs. A Company. ... EDEKA is organized as a cooperative association and is supported from 4,500 independent retailers. The entrepreneurial passion of EDEKA merchants and their employees is key to our economic success. ... The common goals unite us, the willingness to take responsibility, and of course the passion for food!"

Process (and Corporate Responsibility)

Process component of the services marketing mix can be thought as a reflection of how global retailers would implement some other components such as product and people components. Some of those retailers also mention corporate responsibility details in the process. Specifically, 40 percent of all global retailers mentioned this component in their mission statements. Otto (GmbH & Co KG) (Germany), for example, concentrates on the "action" to do things right rather than shifting the blame to someone else when things do not go well. It seems that Macy's (U.S.) has goal of combining emerging opportunities seen and relevant actions taken by moving faster with the utilization of technology within its resources.

Otto (GmbH & Co KG) (Germany): "Waiting accomplishes nothing – action is needed to shape the future. The Otto Group has taken a clear stance. Instead of "That's not our fault" it says "Let's do it (right)!" Four values feed into this approach: Economic viability, diversity, innovation, sustainability."

Macy's (U.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 ..."

Toys "R" Us, Inc. (U.S.), a leading retailer delivering products for children, emphasizes the importance of safety in those products and safety in the shopping environment for all customers. Staples, Inc. (U.S.), Co-operative Group Ltd. (UK), Jerónimo Martins, SGPS SA (Portugal) and J. Front Retailing Co., Ltd. (Japan) take the corporate responsibility a step further to accomplish a goal of helping communities and regions as trusted business entities.

Toys "R" Us, Inc. (U.S.): "As the world's leading dedicated toy and juvenile products retailer, we understand the trust parents place in us to ensure the safety of the products we sell and to provide only the safest shopping environment for them and their families. We take that responsibility very seriously. One of the important parts of our mission as a company is to help parents keep their kids safe. ... At Toys"R"Us, Inc., we love kids and babies, and our commitment to their safety is non-negotiable. You can be sure that at every turn, we will continue to look for ways to fulfill our commitment to the safety of the families we serve."

Co-operative Group Ltd. (UK): "At The Co-operative we encourage new ideas to tackle issues that are important to our members – from helping the community to changing the world. ..."

Jerónimo Martins, SGPS SA (Portugal): "... while contributing to sustainable development of the regions where it operates."

Staples, Inc. (U.S.): "... At Staples, we are committed to truly making a difference through the preservation of the earth's resources and the betterment of our communities. ... to offer the best in affordable recycled products ....We give back to our communities across the country ..."

J. Front Retailing Co., Ltd. (Japan): "The philosophy system of J. Front Retailing Group consists of "basic philosophy," "business operation policy," "commitments to stakeholders" and "our principles of action." ... Basic Philosophy: We aim at providing high quality products and services that meet the changing times and satisfying customers beyond their expectations. We aim at developing the Group by making a broad contribution to society as a fair and trusted business entity."

Place (Distribution)

Distribution (place) component of the services marketing mix stands out in the mission statements of certain global retailers. Kroger (U.S.), for example, wants to be a leader in distributing its products, in addition to its goal of leadership in merchandising them. Sears Holdings Corp. (U.S.) emphasizes that its goal is to provide products and services 'when' and 'where' those are demanded by customers. Moreover, being the best distribution corporation in the regions they serve is essential for Lotte Shopping Co., Ltd. (South Korea), although they aspire to be at the top for distribution in the world.

> *Kroger (U.S.): "Our mission is to be a leader in the distribution and merchandising of food, health, personal care, and related consumable products and services."*

> *Sears Holdings Corp. (U.S.): "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."*

> *Lotte Shopping Co., Ltd. (South Korea): "We endeavor to be more than the best distribution corporation in Korea. We will strive to be recognized as the top distribution industry in the world."*

Price (and Value)

Price and value are the two important elements for global retailers mentioned by 21 percent of all mission statements; though sometimes retailers have a tendency to use the two terms interchangeably or broadly. Reitangruppen AS (Norway) defines itself as a "value-driven company" in Scandinavia, while the vision of Tesco plc (UK) is "to be the most highly valued" retail company based on the perceptions of its customers.

> *Reitangruppen AS (Norway): "Reitan Group will be known as Scandinavia's most value-driven company. It is the strong values of our drives us, defines us - that's us. "*

> *Tesco plc (UK): "Our vision is for Tesco to be most highly valued by the customers we serve, the communities in which we operate, our loyal and committed staff and our shareholders ..."*

Delhaize Group (Belgium) wants to deliver "superior value" to its customers while maintaining high standards in multiple areas. Target Corp. (U.S.) also supports this end based on "outstanding value" toward its promise of "Expect More. Pay Less." Wal-Mart Stores, Inc. (U.S.) helps its customers save money so they can live better, so do Groupe Auchan SA (France) and Migros-Genossenschafts Bund (Switzerland).

> *Delhaize Group (Belgium): "... Delhaize Group goes to market with a variety of food store formats. The Group is committed to offer a locally differentiated shopping experience to its customers in each of its markets, to deliver superior value and to maintain high social, environmental and ethical standards."*

Target Corp. (U.S.): "Our mission is to make Target the preferred shopping destination for our guests by delivering outstanding value, continuous innovation and an exceptional guest experience by consistently fulfilling our Expect More. Pay Less. brand promise."

Wal-Mart Stores, Inc. (U.S.): "We save people money so they can live better."

Groupe Auchan SA (France): "To improve the purchasing power and the quality of life of the greatest number of customers, with responsible, professional, committed and respected employees. This is based on 3 values: trust, sharing and progress."

Migros-Genossenschafts Bund (Switzerland): "Migros is ... committed to the quality of life with passion for his clients."

Price element itself seems to be the basic premise in the overall value for many global retailers. Costco Wholesale Corp (U.S.) concentrates on "best possible prices," while IKEA Group (Sweden) and Meijer, Inc. (U.S.) put an emphasis on "low prices" or "lower prices." Similarly, J.C. Penney Company, Inc. (U.S.) highlights its "compelling prices" and BJ's Wholesale Club, Inc. (U.S.) compares its "lower prices" to another store format, namely supermarkets.

Costco Wholesale Corp (U.S.): "To sell top-quality merchandise to our members at the best possible prices."

IKEA Group (Sweden): "At IKEA our vision is to create a better everyday life for the many people. Our business idea supports this vision by offering a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them. "

Meijer, Inc. (U.S.): "Meijer stands for Higher Standards and Lower Prices."

J.C. Penney Company, Inc. (U.S.): "Jcpenney's vision for growth is to be America's shopping destination for discovering great styles at compelling prices."

BJ's Wholesale Club, Inc. (U.S.): "BJ's is dedicated to providing Members with top-quality brand-name merchandise at prices significantly lower than supermarkets, supercenters, department stores, drug stores and specialty stores."

Physical Evidence

Physical evidence component of the services marketing mix has been rarely (4 percent) and vaguely included in the mission statements of global retailers. Those global retailers indirectly covered a variety of areas within the domain of physical evidence such as differentiated or best shopping or customer experience, and convenient, friendly and exciting environment. Those examples belong to Delhaize Group (Belgium), Kohl's Corporation (U.S.), Dansk Supermarket A/S (Denmark) and Dell, Inc. (U.S.).

> *Delhaize Group (Belgium): "... The Group is committed to offer a locally differentiated shopping experience to its customers in each of its markets, ..."*
>
> *Kohl's Corporation (U.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."*
>
> *Dansk Supermarket A/S (Denmark): "Customers' best shopping experience" is the vision that we work from the Danish Supermarket. It is our stated aim that no matter which of our chains you act, you have the best shopping experience with us."*
>
> *Dell, Inc. (U.S.): "Dell's mission is to be the most successful computer company in the world at delivering the best customer experience in markets we serve."*
>
> *J. Front Retailing Co., Ltd. (Japan): "The philosophy system of J. Front Retailing Group consists of "basic philosophy," "business operation policy," "commitments to stakeholders" and "our principles of action." ... Basic Philosophy: We aim at providing high quality products and services that meet the changing times and satisfying customers beyond their expectations. We aim at developing the Group by making a broad contribution to society as a fair and trusted business entity."*

CONCLUSION

Mission statements are useful tools that influence the inner workings of the organizations (Mullane 2002). Top management can properly develop and utilize clear mission statements as a powerful tool (Verma 2010) to "indirectly affect the bottom line" of the organization (Mullane 2002, p.454; Alavi and Karami 2009). Mission statements should highlight certain areas such as the reason for existence of the organization, the purpose of the organization, and the goals to be accomplished (Falsey 1989; Bart 2001; David 2009; King, Case and Premo 2010).

Organizations develop and utilize their mission statements, but most importantly they communicate those statements internally and externally to their stakeholders (Leuthesser and Kohli 1997; King, Case and Premo 2010). The key benefits of development, utilization and communication of mission statements include guidance to decision making, resource allocation in the organization, and motivation and inspiration of stakeholders (Forbes and Seena 2006; Bart 2007). Basically, mission statements align the strategic direction of the organization with the organizational culture (Greengarten-Jackson 1999).

Organizations from all types of industries increasingly seem to share mission statement information on their web sites (Bart 2001). This current study investigated the mission statements of the top 100 global retailers as they communicated this information on their web sites. When it became unclear or unavailable on the retailer's website, researchers contacted each company for their mission statements and followed up with the initial contact to complete the data.

Shostack (1977) originated, and Booms and Bitner (1981) developed and defined the 7Ps concepts. Originally, the 7Ps were derived from the 4Ps of marketing mix theory. The 7Ps are comprised of participants (people), physical evidence, process, price, place, promotion, and product/service. This paper focuses on examining the applications of the seven Ps of services marketing mix to mission statements.

Anitsal, Anitsal and Girard (2012b) discovered that product/service, people and process components were the top three components included in specific terms in the mission statements of the top 100 U.S. retailers. Those top three frequently mentioned components were also the same for the top 100 global retailers which also include the U.S. retailers. Although the rankings slightly changed for the top 100 global retailers excluding the U.S. retailers, the rank order was product/service, process and people components, respectively (Table 1). The use of the place and price/value components in mission statements consistently decreased in percentage from the top 100 U.S. retailers to the top 100 global retailers including the U.S. retailers, then to the top 100 global retailers excluding the U.S. retailers (Table 1). It appears that the top U.S. retailers on both lists (the top 100 U.S. retailers and the top 100 global retailers) pay more attention to the place and price/value components than their counterparts on the top 100 global retailers list. This was also true for all components with the exception of the physical evidence and promotion components. The physical evidence component was the least mentioned component. The promotion component was not mentioned at all. In conclusion, the major difference between the top 100 U.S. retailers and the top 100 global retailers was in the use of the people, price/value and place components. It seems that the process component becomes more important the closer the retailer is to joining the list of the top 100 global retailers.

The current study focused on the top global retailers. Future research studies may concentrate on other types of retailers such as specialty retailers, online retailers in both U.S. and other countries and regions. Inclusion of top companies from other industries may also provide further insights in comparing several industries from the same perspective.

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DEVELOPING EXPERTISE IN MANAGEMENT DECISION-MAKING

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ABSTRACT

Experts and novices approach decisions in remarkably different ways. The quality of decision-making by a novice largely depends on the ability to conduct a rational analysis of the decision situation. An expert makes use of a highly developed model of the decision situation and the decision is not the result of the "rational" process. We begin with a critical evaluation of the commonly accepted definition of the rational decision-making process. This leads to a revision with systemic, iterative, and adaptive properties. A description of decision situations with reference to their appropriateness for the application of expertise is the basis of an understanding of the domain in which expertise may be developed. Next, we present the process for the development of expertise. The rational process, as revised, is the foundation for the development. The attributes of expertise developed as described closely match characteristics of expertise described in the research and application literature.

INTRODUCTION

The need for effective decision-making and high quality decisions is common to many fields. The requirement is particularly acute in business where the quality of management decision-making directly affects the performance of the enterprise and how well it meets its objectives. Expertise in decision-making is an essential skill for a manager and an understanding of the acquisition of expertise is necessary to its development.

Two elements are necessary to the development of expertise in management decision: one is experience and the other is a model or schema that relates experience to the reality of the organization and its environment. Expertise in other areas, e.g., surgery, playing a musical instrument, driving a racecar, typically involves coordinating mental processes with physical ones. While physical attributes are largely irrelevant to the development and exercise of managerial expertise, the process of developing managerial expertise nevertheless has many elements in common with the general process for developing and applying expertise.

The point of departure for a discussion of expertise in decision-making is the decision process known as the "classical" or "rational" process. Following a brief review of this process, we suggest a revision that addresses several of its shortcomings. We next turn our attention to expertise, particularly as applied to management decisions. This development begins with schema of decision types that reveals where expertise may be applied. We note that some decisions are best made using a (revised) rational process and others using expertise. Finally, we illustrate how the rational process is the basis for developing expertise in management decision making.

RATIONAL DECISION-MAKING

The apparent variety and complexity of management decisions motivates the use of a classification scheme to bring order to a discussion of decision-making. Classes include decisions under certainty, risk, and uncertainty; single and multistage decisions; group or individual decisions; decisions with monetary or non-monetary objectives; and so forth.

Independent of classification, the decision-making literature consistently presents a "rational" process for decision analysis generally involving five steps. This process is:

- ✓ First: recognize and define the decision situation
- ✓ Second: Identify alternatives
- ✓ Third: Evaluate alternatives
- ✓ Fourth: Select the best alternative
- ✓ Finally: Implement the chosen alternative

This particular statement is from a basic text in management (Griffin, 2008) and reflects content from a specialized source on management decision-making (Harrison, 1999).

There are many variations on this basic theme, all with similar characteristics. A popular definition (Bazerman, 2002) is illustrative. In outline, the process is:

1. *Define the problem*
2. *Identify the criteria*
3. *Weigh the criteria*
4. *Generate alternatives*
5. *Rate each alternative on each criterion*
6. *Compute the optimal decision.*

Other authors have presented additional variations from both the behavioral sciences and the quantitative disciplines. These are notable more for their similarities than their differences. Harrison summarizes them succinctly (1999, p. 37-38):

> *There are various views on the process of decision making. Simon (1960) assigns three major elements to the process (1) finding occasions for making a decision; (2) finding possible courses of action; and (3) choosing among courses of action. Witte (1972) advances the notion of decision making as a total process involving discernable and separate activities: (1) information gathering, (2) development of alternatives, (3) evaluation of alternatives, and (4) choices. The*

> *process espoused by Schrenk (1969) focuses on three elements: (1) problem recognition, (2) problem diagnosis, and (3) action selection. Janis (1968) envisions a decision-making process with five stages: (1) recognition of a challenge, (2) acceptance of the challenge, (3) meeting the challenge through a choice, (4) committing oneself to the choice, and (5) adherence to the choice. Eilon (1979) advances a comprehensive process composed of eight stages, which begins with information input and culminates in a choice. Mintzberg and his associates (1976) offer an incredibly complex formal structure derived from twenty-five "unstructured" decision-making processes that are then organized into a general model of interrelated strategic decision processes. Fredrikson (1976) proposes a method for organizing noneconomic criteria in a decision-making process that includes four stages: (1) developing a criteria set, (2) posing criteria questions, (3) scaling the responses, and (4) choosing among alternatives. Nutt (1989) advances a decision-making process made up of: (1) exploring possibilities, (2) assessing options, (3) testing assumptions, and (4) learning.*

The salient point is that the "rational" process does not vary with the characteristics of the decision. Given the diversity of decisions and decision environments, it is an open question whether a sequence of five steps, more or less, will be universally successful in addressing the scope and variety of management decisions. We further observe that sequential processes, such as described here, are characteristic of a mechanistic world view (Ackoff, 1981) and note that the antecedents of "rational" decision analysis are the perfect information assumptions of competitive market theory. This theory is the product of a mechanistic worldview.

BEYOND "RATIONAL"

The rational process described above (along with its several variants) is inappropriate as a procedure for making decisions. In summary form, the assumptions that render it ineffective are:

a) The process is *sequential*; once a step is complete, it is not revisited.
b) The process is c*omplete*; all alternatives are identified.
c) The process is *deterministic*, in the sense that the decision-maker understands the relation between alternatives and outcomes. The relation may involve probabilities (risk) in which case the decision may involve an expected value.
d) *Perfect information* about outcomes, and their probabilities, for each alternative is known.
e) There is *unity of purpose.* The analyst (decision-maker), if not an individual, is a group of undifferentiated individuals with a unitary purpose

A superficial comparison of these attributes to the real-world management decision environment reveals the assumptions as unrealistic. A decision process based on them will necessarily be ineffective.

The nature and variety of management decisions renders the formulation of a completely effective decision procedure problematic. However, an improvement on the existing rational process is not difficult to conceive. There is a *prima facie* argument that a decision process with the following characteristics will produce superior decisions.

a) Systemic
b) Iterative
c) Adaptive (to new information)
d) Self-correcting
e) Active (in seeking new information and innovative approaches)

The formulation of a revised process incorporating these characteristics involves synthesizing several well known, but seemingly disparate, conceptual structures and research results.

A SYSTEMIC APPROACH TO DECISION ANALYSIS

We propose a revision to the "rational" process that exhibits the above characteristics and consists of seven elements: (1) Understanding the decision *opportunity*, (2) Formulating the correct *goals* for the decision, (3) Identifying and involving the correct *participants* in the decision, (4) *Framing* the decision correctly (including understanding relevant alternative framings), (5) Generation of *alternatives*, (6) *Choice*: selecting an alternative and (7) *Learning*, to improve future decision-making.

The star-shaped graphic of Figure 1 presents the relation among the elements in the process. Characteristics of the process are:

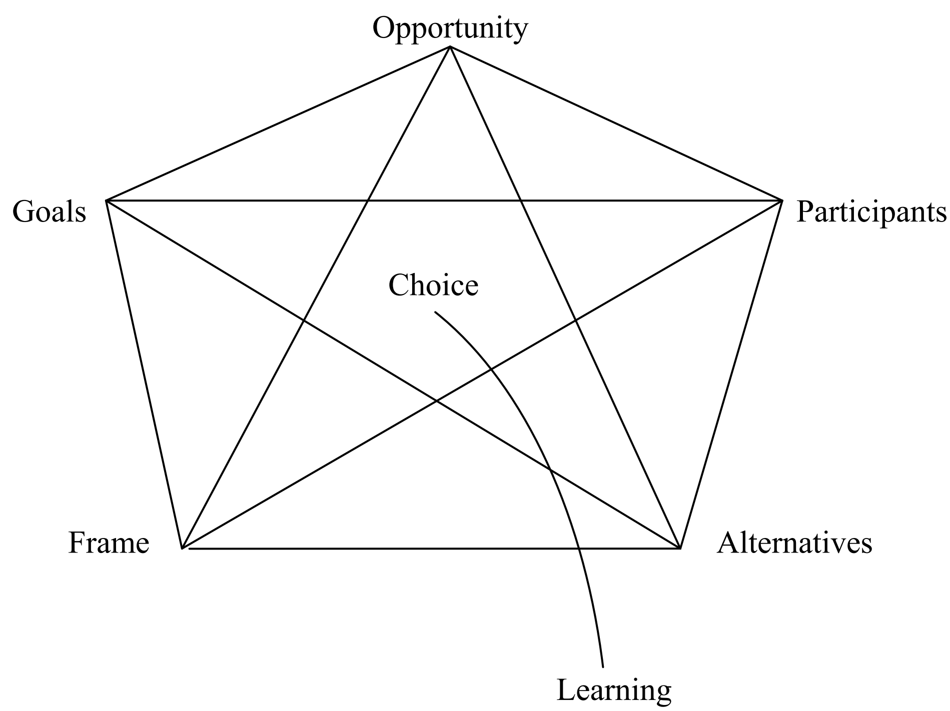
a) Elements are systemically interactive. Each point of the star connects to all other points, indicating the joint and reciprocal influence of all elements in the process.
b) The process is iterative. Consideration of any element of the decision may prompt a re-evaluation of any other element to accommodate newly developed or revealed information or perspectives.
c) The process concludes only when all issues related to the elements at the points of the star are resolved. Selection of an alternative occurs only when the process is stable: there is no revision to any element.
d) The process accommodates a broad range of perspectives and approaches. Multiple framings of the decision situation are required.
e) The process facilitates the development of expertise, in situations expected to recur. Conducted properly, the process will reveal the crucial relations extant in the decision situation.

f) The process encourages *post hoc* analysis as the basis for individual, and organizational, learning. Statements of expected outcome statements are an essential part of formulating alternatives.

Each of the elements of the decision (points of the star) makes a distinct contribution to the decision. Each element controls, and is controlled by, each other element. As noted, choice occurs only after all interactions are fully developed and all implications assessed.

Choice is the disjoint step marking the end of the process. Competing alternatives typically reflect different framings of the decision situation, different goals, and perhaps, different motives of participants. In most situations, the choice is from among competing framings of the situation rather than competing alternatives developed from the same frame.

Figure 1: Decision Star



ELEMENTS OF THE STAR

The analysis process represented by the Star contains elements well documented in the literature on decision-making. A brief review follows.

Opportunity for a decision typically arises from a *Gap Analysis* which identifies a "gap" between the present state and the desired state. Huitt (1992) cites Arnold (1978) in identifying four types of gaps:

1) something is wrong and needs to be corrected;
2) something is threatening and needs to be prevented;
3) something is inviting and needs to be accepted; and
4) something is missing and needs to be provided.

Tunnel vision (stating the problem too narrowly) represents the major difficulty in problem identification as it leads to artificially restricting the search for alternatives.

SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis identifies strategic decision opportunities. The "O" and "T" in SWOT usually involves one of the four types of gaps noted above. Harrison (1999) describes a procedure for identifying strategic gaps.

Goals reflect organization mission and strategy. The goals for a specific decision involve interpretation of mission and strategy as applied to the decision environment. Different interpretations (which easily arise from different framings) can easily lead to conflicting goals or a lack of goal clarity. Both Drucker (1973) and Ackoff (1981) describe how suboptimization can easily lead to conflicting objectives. Individual psychology can be the source of different perspectives on goals. It is widely acknowledged (Myers, 1988) that individuals with a *task* orientation will view goals differently than those with a *people* orientation.

Who ***Participates*** in the decision is a consideration overlooked by many researchers. The notion of the decision-maker as an individual actor is deeply rooted in the assumptions of the perfectly competitive economic model. The organization in the 21st century has moved far beyond the simplifying assumptions appropriate during the Industrial Revolution (see Ackoff, 1981 for elaboration). From a different perspective, Vroom & Jago (1988) use characteristics of the decision to determine who should participate in the decision process. March (1994) addresses decisions with *multiple actors* who may have inconsistent preferences or identities.

How the decision is ***Framed*** is crucial to the decision process. "Frames are mental structures that simplify and guide our understanding of a complex reality." Russo & Shoemaker (2002). They argue coherently that the quality of the eventual decision depends significantly on how the situation is framed. Poorly framed decisions will be poor quality decisions. Proper framing is a necessary attribute of a good decision and aggressive efforts to identify many framing alternatives for the problem are required.

The variety of potential frames is extensive. Included are: (1) the functional perspective (Finance, Operations, Marketing, etc.), (2) the ethical perspective, (3) the "green" perspective, (4) the cross-cultural perspective, (5) the quantitative perspective (can we formulate the decision in an optimization model?), and so forth. Frames are not exclusive and the eventual best perspective on a decision may well be the result of a combination of frames. Undoubtedly, "frame blindness" (Russo, 2002) is a serious impediment to quality decisions. The most notable argument for multiple frames is the famous quote by Alfred P. Sloan, Jr. (in Drucker, 1973): "'Gentlemen, I take it we are all in complete agreement on the decision here.' Everyone around the table nodded assent. Sloan continued. 'Then, I propose we postpone further discussion of this matter until our next meeting to give ourselves time to develop disagreement and perhaps gain some understanding of what the decision is all about.'"

The importance of framing to both problem solving and decision-making is apparent in the popular and highly regarded *Ackoff's Fables* (Ackoff, 1978). The insight provided by each fable is nearly always based on a framing of the situation different from the one expected. The *multidisciplinary (or interdisciplinary) approach* recommended in Management Science and other fields acknowledges the value of different perspectives (leading to different framings) in both problem solving and decision-making.

How individuals frame decision situations reflects the paradigm they find most effective as a guide to understanding the environment. The German *Weltanschauung* describes the concept.

Alternatives are the product of problem solving activity. Each framing of the decision situation presents a problem and the solution to the problem (there may be more than one) represents an alternative for the decision. It is, of course, necessary that the alternative include a statement of the expected effect of its adoption. The linkage is direct: from frame to solved problem to decision (action) alternative to expected outcome.

Choice (actually making the decision) may, in view of the foregoing, be construed as selecting the frame and outcome that best serve organizational objectives. The decision-maker(s) must determine which framing of the decision best represents the true environment and which alternative (for the selected frame) presents the most desirable outcome. Stated thus, the choice would appear perfunctory. However, the perceptive decision maker(s) recognizes that there may be uncertainty about (1) which frame is most appropriate, (2) the linkage between proposed action and projected outcomes, and (3) the desirability of the outcome in a future environment.

Learning is a *post hoc* activity, based on a comparison of projected outcome with reality as it occurs. Senge (1990) discusses this process in some detail from the organizational perspective. We will return to this topic later as we discuss the process for developing expertise.

SYSTEMIC INTERACTIONS

The idea of recursion in decision-making is not new. Harris (1998) describes a recursion between criteria and alternatives. The process presented here extends recursion to all points of the Decision Star. In the following paragraphs, we discuss the analysis process as a systemic interaction of processes.

The decision analysis begins with recognition of an opportunity for a decision. Typically, a complete understanding of the decision will not be present from the outset. This is particularly true for a new or unique decision. Further, an alternative may present along with the opportunity, but it is generally wise to avoid an immediate decision, especially if circumstances suggest the decision is an important one. The initial action of the decision-maker is to describe the opportunity, define the specific goals for the decision and articulate the frame as completely as possible. The next step is to validate the opportunity, goals, and frame.

Opportunity validation most conveniently involves evaluation by another individual with a presumed interest in the decision. In the ideal case, this individual will frame the decision differently or, perhaps, have a different perspective on the goals for the decision. It is well established (Connolly, 2000) that multidisciplinary teams make superior decisions to those made by individuals or groups with a single, or narrow, vision.

The participants in the decision drive the process. Alternative frames, goal clarity, and viable alternatives all require participants with varied perspectives and commitment to the best possible decision.

The Star graphic with direct links connecting Opportunity, Goals, Participants, and Frame illustrates the systemic interaction of these elements of the decision. Each participant will contribute a (potentially conflicting) perspective on these elements. A systemic, iterative process with the objective of resolving conflicts and producing a completely articulated statement of alternative frames and associated action alternatives is essential to achieving the best possible decision.

As the process proceeds, each element potentially prompts a revision to other elements. Thus, a new frame will require a revision to the goal statement, and possibly a fuller understanding of the opportunity. A new participant will contribute a new perspective on goals (possibly based on the perspective of a different part of the organization), potentially prompting a revised perception of the opportunity.

The iterative process concludes with the definition of several alternative frames for the decision with corresponding action alternatives. including expected outcomes. The process should continue until:

a) Alternative frames are fully developed,
b) Goal clarity, for each frame, is achieved,
c) The opportunity is validated for each frame,
d) Participants are satisfied that no additional participants will contribute new perspectives (i.e., that additional frames are unlikely),
e) There is complete articulation of action alternatives corresponding to each frame, including statements of expected outcomes.

Observe that the adoption of a 'frame centric' representation of the conclusion of the process involves associating different characterizations of opportunity, goals, and actions with alternative framings of the decision. Other representations are, of course, possible but they lack the scope of the frame-based process.

The analysis process concludes with the choice of an alternative. Once the choice is made, the analysis is concluded and the attention of decision-makers is turned to implementation and to anticipation of the next opportunity.

CATEGORIES OF MANAGEMENT DECISIONS

The discussion thus far has been general, independent of the characteristics of any particular decision or environment. How decisions should be (and are) made *do* depend on the nature and circumstances of the decision. We now undertake a consideration of how decisions vary and how the decision process must reflect the variation.

The most basic classification scheme divides decisions into two major categories: routine and non-routine decisions (Drucker, 1967 or Harrison, 1999). The recurring/non-recurring characterization is also used. This scheme is significant since it is typically determines (1) which decisions must be subject to study and analysis, and (2) which decisions may be made using rules and models to guide the decision maker.

The accomplished manager obtains high quality decisions in both routine and non-routine contexts. Sometimes the manager makes the decision; sometimes others make the decision under the direction of the manager. As noted earlier, the Vroom & Jago (1988) model indicates which is most appropriate.

The routine/non-routine characterization of decisions is a useful starting point. Non-routine decisions do not provide a good domain for the application of expertise because they do not recur and acquisition of experience, necessary to expertise, is not possible. Non-routine decisions require analysis if a high quality result is required.

Routine decisions do recur and permit the development of expertise. In some cases, the application of expertise can be routinized (or programmed), as in the case of specifying stocking levels in an inventory system. In other cases, the attention of the manager is required in every occurrence.

Routine decisions have characteristics that remain largely the same from one occurrence to another. This attribute allows organizations to gain experience in making these decisions and to develop expertise in making them to pursue organizational objectives. Harrison (1999, p. 21) characterizes the structure of routine decisions as

> *Procedural; predictable; certainty regarding cause/effect relationships; recurring; within existing technologies; well defined information channels; definite decision criteria; outcome preferences may be certain or uncertain.*

Non-routine decisions, again from Harrison, are

> *Novel; unstructured, consequential, elusive and complex; uncertain cause/effect relationships; nonrecurring; information channels undefined' incomplete information; decision criteria may be unknown; outcome preferences may be certain or uncertain*

Routine decisions are often part of a smooth flow of events and may be difficult to identify. Non-routine decisions are, by their nature, more easily identified.

Drucker (1967) described a four-category structure for management decisions and used the terms "generic" and "exceptional" for routine and non-routine decisions:

1. Truly generic events. Here, the occurrence of the decision situation is only a symptom that requires an adaptation of an existing procedure. Drucker cites inventory decisions as illustrative of this class.
2. The apparent exceptional event which appears unique (and may be unique for a particular organization), but which occurs commonly elsewhere. A merger or acquisition decision is illustrative of this class.
3. Truly exceptional events. These decision situations have not occurred before and are unlikely to occur again. The correct response to the development (by a competitor) of a substitute for a major product would fall into this class.
4. Exceptional events that are a first/early occurrence of a new generic category. Internet based attacks on a company's database or other internet-based attacks illustrate this class.

Of these categories, numbers 1, 2, and 4 provide opportunity for developing expertise, although number 2 requires a broader purview than the single organization. Expertise in this category generally occurs in consulting firms and in corporate (as contrasted to business) strategy functions. Categories 1 and 4 provide significant opportunities for developing expertise.

Category 1 requires further attention. While this category includes many programmable decisions, there are also many not capable of being programmed. Several factors contribute to rendering a recurring decision un-programmable. Some of these are:

a) The decision environment is dynamic or unstable
b) The decision environment cannot be described abstractly or symbolically due to discontinuities, un-measurable variables (these may be psychological or behavioral), unknown causal relations, lack of complete understanding of the relation between alternatives and outcomes

c) Computational complexity. In spite of exponentially increasing capabilities of computer-based systems, many problems remain intractably large, particularly when required decision intervals are short.

d) Goals are ill defined and, possibly, shifting.

We assert, but cannot demonstrate, that the majority of management decisions fall in to the non-programmable area of category 1.

The opportunities for developing expertise thus lie in this non-programmable area of category 1 and in category 4.

Klein (1999) offers a contrasting perspective on the use and development of expertise in decision-making. Decisions in Drucker's category 1 may be made either by an expert or, if certain conditions obtain, using the rational procedure. Drucker's categories 3 and 4 require the rational procedure (or an equivalent technique) since there is no basis for developed expertise. Decisions using expertise (Recognition Primed Decisions, or RPD, in Klein's terms) are appropriate under the conditions described in Table 1.

Table 1: Classification Scheme for Decision Making Procedure

Decision Characteristic	Recognition Primed Decisions (RPD)	"Rational" Choice (Comparative analysis)
Greater time pressure	More likely	
Higher experience (expertise) level	More likely	
Dynamic conditions	More likely	
Ill-defined goals	More likely	
Need for Justification		More likely
Conflict resolution		More likely
Optimization desirable		More likely
Greater computational complexity		More likely
Group decision necessary		More likely
Inadequate levels of experience (expertise)		More likely
Adapted from Klein (1999), p. 95		

We further note that decisions involving "rational choice" often involve a group process, while an individual (the expert") typically makes "RPD decisions."

The foregoing makes clear that expertise is appropriate in some decision situations and not in others. Heerken (2011) demonstrates the difficulties encountered in attempting to apply expertise in non-routine situations. Where expertise is not available or not appropriate, decision-makers employ the rational process for the decision. Our interest is in the development of expertise and we argue that rational choice processes are at the core of the development of expertise

DEVELOPING EXPERTISE

The rational choice process, as described by the Decision Star, is effective for Drucker categories 3 and 4: the decision is truly unique or is a first/early occurrence of a new category. Opportunities for developing expertise thus arise from category 4 and those decisions in category 1 (generic events) not capable of being programmed.

In decision circumstances requiring rational choice, the focus of the decision-maker is on making the right decision. It is not on developing expertise in making the type of decision represented by the situation at hand because the decision is not expected to recur. The non-expert makes the decision, and moves on to other pursuits. The developing expert follows a different path.

The attention of the developing expert is on ways to structure the decision situation to gain insight into the relation between characteristics of the situation and good decisions. We see here the difference between analysis for decision-making and analysis for developing expertise. For decision-making, analysis is about the circumstances of the decision that presents and the effectiveness of the resulting decision. The developing expert looks beyond the present circumstances with the objective of developing a model or schema for describing the salient features of the situation.

At its core, expertise involves structuring knowledge and information about decision situations so that the structure leads to high quality decisions. To develop expertise, one must begin with a model or schema and then incrementally refine it.

The development of expertise is a dynamic process. Experts continually refine their expertise and adapt it to new circumstances and changing conditions. The renowned psychologist Samuel Messick (1988) described characteristics of expertise.

> *It also appears that experts, in contrast to novices, not only have a vastly richer store of relevant knowledge accessible in memory but also structure and continually restructure knowledge in more complex ways. In particular, experts construct complex schemas or mental models that combine some of the dimensions and simpler schemas used by novices into integrated functional patterns, while at the same time discarding as redundant or irrelevant some other dimensions that novices attend to. Thus, experts develop mental models representing new and adroitly usable patterns of perceiving, thinking, and acting that direct, organize, and control both the acquisition of new knowledge and the processing of information in the course of problem solving.*

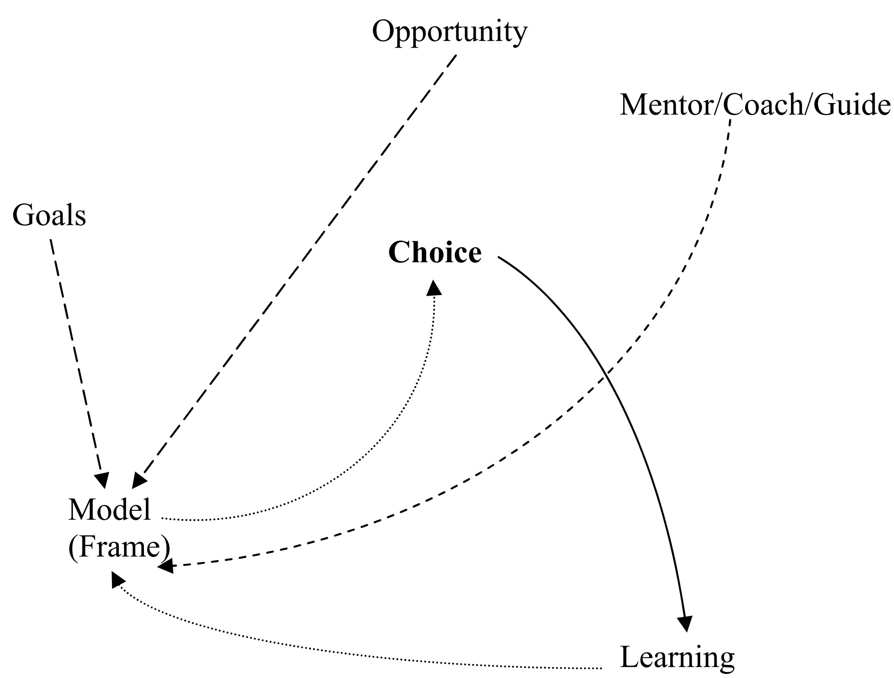
We now understand that the model or schema is the starting point for the development of expertise. Expertise begins with a starting point model and that model is refined with each successive occurrence of the decision.

CREATING THE EXPERT'S MODEL

The Decision Star of Figure 1 is the starting point for the expert's model. The Process itself will develop from the Frame for the decision. The Frame of the decision-maker will contain information relevant to the present decision and the Frame for the developing expert will contain information relevant to the *category* of decisions represented by the present instance. Both the decision-maker(s) and the developing expert will use the Frame as the focal point for organizing their understanding of the Opportunity for the decision, the Goals to be served by the decision, the perspectives (including alternative Frames) offered by other Participants in the decision, and nature of the Alternatives for the decision.

The developing expert employs the structure of the Decision Star to develop the "mental model" for the decision situation. This is a different use than that of the decision-maker. The decision maker is addressing a (Drucker) type 3 or 4 decision. In this case, the Frame for the decision-maker is a 'single use' construct while the Frame for the developing expert is constructed as the foundation for expertise. These are very different uses. The developing expert is keenly interested in how the proper Frame for the decision changes in response to different interpretations of Goals, or different perspectives on the Opportunity for decision.

Figure 2: Expert Process



After several experiences with the decision, the developing expert evolves a unique and personal model for the decision. Achieving experience with the decision, the expert will attend less and less to inputs from other (potential) participants, and more to variations in goals or opportunity, particularly as they affect the model or frame of the situation.

The expert "analysis" becomes a reduced version of the Decision Star, one that represents the evolutionary development of expertise. Figure 2 suggests the nature of this process.

The evolution from the star to the expert process involves several steps. These are not sequential or even necessarily disjoint.

a) The number of participants diminishes until only the developing expert remains. Participants are useful for contributions to initial framing and formulation of alternatives but once the frame is developed, they add no further value and may easily become a distraction. The developing expert typically seeks out a coach or guide for the development process. This coach structures and manages the *deliberate practice* (Anders, 1993, 2006, Colvin, 2008) necessary to the development of expertise. Leonard and Swap (2008) describe a structure for deliberate practice (which they call 'Guided Experience') designed for use in a managerial environment.

b) Alternatives relate to frames. As the frame used by the developing expert evolves, single alternatives become associated with variations in opportunities as perceived. The more highly developed the expertise becomes; the less likely it is that multiple alternatives will be considered for a single decision. The characteristic of the expert decision is that just the right decision is produced, one that matches the nuances of the opportunity.

c) Choice vanishes altogether. Using the frame, the expert relates the characteristics of the opportunity to a single alternative for the decision: there is no need for choice. Where the novice may see several possible choices for a given decision opportunity, the expert sees only one: the one calibrated to best address the opportunity.

d) Goals may vary, depending on the circumstances surrounding the opportunity and general organizational considerations. The expert recognizes the salient characteristics of the opportunity and adapts the response so that appropriate goals are met

e) As indicated above, the expert attends to Opportunities and Goals and whether variations indicate the need for an adaptation of the Frame for the decision. If not, the expert decision is reasonably direct, assuming the characteristics of a RPD (Recognition Primed Decision) as described by Klein (1999).

The object of learning is the frame. The standard for evaluation of the outcomes is whether the frame properly represented the situation and whether the alternative was the most effective one possible under the circumstances. A positive answer further validates the frame and a negative one prompts modification of the frame to account for circumstances not properly accommodated.

Following this developmental sequence, we observe that the Decision Star is the starting point for the development of expertise in management decision-making. This construct, as an evolutionary restatement of the "rational" decision process, is used to address both routine and non-routine decisions.

COMMENTARY

Existing models for analysis of management decisions are deeply rooted in concepts of organization and the management process that exhibit the philosophy and assumptions of the 19th century. Organizations, and management, in the 21st century exhibit radical differences in comparison to 19th century models. One of the primary areas of contrast is decision-making within the organization. The presentation here pursues the goal of showing how analysis must change and, in fact, is changing to reflect new organizational models and management processes. Gary Hamel (quoted in Barsh, 2008) puts it thus:

> *The outlines of the 21st-century management model are already clear. Decision-making will be more peer based; the tools of creativity will be widely distributed in organizations. Ideas will compete on an equal footing. Strategies will be built from the bottom up. Power will be a function of competence rather than of position. In terms of the future of management, we're at the beginning of what will be a fairly long journey. You can see some of the pieces starting to come together, but we're not there yet.*

There is little doubt that a linear and sequential analytic process is inappropriate to the function of both manager and organization in the 21st century. Systemic, iterative processes have been evident in organization for some time and an objective presentation of the nature of these systemic processes is long overdue.

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NAVIGATING CORPORATE SOCIAL RESPONSIBILITY COMPONENTS AND STRATEGIC OPTIONS: THE IHR PERSPECTIVE

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ABSTRACT

This study builds linkages between cross-cultural ethical issues and corporate social responsibility (CSR) strategies from a context-focused approach, with special attention to high-tech MNCs that have outsourced or expanded their business activities from advanced societies to emerging economies. The study deepens the existing conceptualizations of the CSR construct and demonstrates how rankings of the CSR components are not necessarily fixed but rather vary due to different cultural values, national wealth, institutional conditions, organizational factors, and public sensitivity toward economic, social and environmental concerns. The study draws attention to the decline of corporate altruism in economic hard times and highlights some main obstacles, such as costs, difficulty to track CSR investment or practices to actual returns, segregation between the generic CSR concept and firm-industry specific competitive contexts, lack of support from top management, and lack of strategic guidance regarding where and how to focus on a large scope of CSR issues. Findings suggest that the extent firms are willing to compromise short-term profit maximization for the larger good of society is likely to vary across borders and among firms of different nationalities. Cultural values and institutional conditions emerge to shape the managerial CSR values and priorities, thereby jointly influencing their strategic CSR decision-making. Cultural values, national wealth, organizational factors and the firm-industry specific legal, regulatory context also influence a firm's predisposition toward relatively short-term vis-à-vis long-term returns to its shareholders and managerial inclinations about their personal moral obligations to larger society. Based on existing literature, empirical findings and firm-industry specific cases, this study offers a cross-cultural framework of CSR strategic options that firms can assess, compose, and implement in the context of international human resource management (IHR). Since many of the CSR issues have a direct link to the human side of business, this study demonstrates that strategic IHR has a key role to play in helping the firm identify, prioritize, and achieve CSR goals, thereby improving the firm-industry specific social and environmental conditions domestically and across borders. This study highlights a knowledge gap between the HR professionals from advanced societies and their counterparts in emerging economies regarding how CSR is integrally related to sustainability, *benefits to the larger society, and competitive advantage of the firm, which opens the door for a special role of MNCs' IHR functions in formulation, communication, training, integrating, monitoring, enforcement, and continuous improvement of an organization's CSR vision, moral standards and strategic commitment. IHR will thereby become well positioned as a potential unifier to coordinate these CSR efforts internally and externally. Suggestions for future research are discussed and practical implications of the CSR construct and strategic options are provided.*

Keywords: Corporate social responsibility components, strategic options, international human resource management, emerging economies, high-tech MNCs, culture, regulatory environment

INTRODUCTION

In the era of globalization, business and society have become increasingly interwoven. As many firms continue to expand their businesses across borders, scholars and managers have devoted greater attention to cross-cultural business ethics and the strategic implications of corporate social responsibility (CSR). International business mandates that companies manage their worldwide operations efficiently and effectively on the basis of openness, corporate integrity, moral obligation to the larger society, and accountability. A rich literature on business ethics and CSR has emerged in the form of institutional theory, stakeholder theory, political behavior theory, cultural relativism, ethical universalism, moral obligations, utilitarianism, and efficiency perspectives. A prominent idea is the notion of sustainability arguing that organizations can do well by doing good and secure long-term economic performance by avoiding short-term behaviors that are socially detrimental or environmentally wasteful. The focus on integrating CSR into competitive sustainability in a specific sector, however, with companies as the unit of analysis, has been minimal (Rana, Platts & Gregory, 2009). Critics argue that CSR efforts are oftentimes counterproductive for two reasons (Porter & Kramer, 2006). First, they pit business against society, when in reality the two are interdependent. Second, they pressure companies to think of corporate social responsibility in generic ways instead of in the way most appropriate to their individual strategies. The prevailing approaches to CSR are so disconnected from corporate strategy as to obscure many great opportunities for companies to benefit society.

Porter and Kramer (2002) draw attention to the decline of corporate philanthropy to the extent that corporate giving by U.S. companies as a percentage of profits dropped by 50% in 15 years. The current economic downturn has further impelled some to put CSR ideas on the backburner (Strandberg, 2009). Meanwhile, the pressure on businesses to play a role in social issues is growing in the wake of corporate scandal and scams involving MNCs and financial institutions like the fall of Enron, WorldCom and Lehman Brothers, PB oil spill, and numerous foreclosures as a group effect of real estate agencies, bankers and financial institutions such as

Fannie Mae and Freddie Mac, AIG, GMAC (Citigroup), BAC (Bank of America), WFC (Wells Fargo), JPM (JPMorgan), etc.

Critics increasingly expect corporations to behave more socially responsible and adhere to moral standards beyond minimal compliance, whereas many executives feel relentlessly pressured to maximize short-term profits in economic hard times. MNCs that have outsourced or shifted their operations from developed to developing or emerging economies to gain a cost-efficiency advantage over production factors and supply chains are often caught in the spotlight for perpetuating sweatshop working conditions, child labor practice, environmental pollution, and lack of welfare programs for workers and their families.

Many ethical and CSR issues have a direct link to the human side of business. Although companies increasingly feel compelled to engage in CSR, most have not figured out how to do it well. CSR is approached more as a form of public relations or promoting a company's image and brand, with an emphasis "on publicity rather than social impact" or "truly strategic philanthropy" (Porter & Kramer, 2002: 6). Consequently there are genuine doubts about whether such approaches actually work or just breed public cynicism about company motives. Some scholars observe that certain CSR programs lack altruism and serve as a sign of submission to institutional pressures (Bies, Bartunek, Fort & Zald, 2007). CSR, however, includes a broad spectrum of actions and strategies that can open infinite opportunities that benefit both business and society.

The present study builds linkages between cross-cultural ethical issues and potential CSR strategic options in a company's specific competitive environment to achieve a proper balance between a firm's global strategy and its local responsiveness in the context of international human resource management (IHR). We propose that strategic human resource management across borders plays a key role in helping the firm identify, prioritize and achieve CSR goals, thereby improving firm-industry specific social and environmental conditions locally and globally. Effective IHR leadership of CSR integration into global business strategy and local responsiveness requires organizational commitment and support from the headquarters, Board, CEO and executives, and therefore, business ethics and CSR values will be fostered and embedded in "the way we do business around here".

THE CONSTRUCT OF CSR AND STRATEGIC OPTIONS

Both scholars and business practitioners recognize the difficulties in globalizing the existing CSR concepts (e.g., McWilliams, Siegel & Wright, 2006). It is particularly challenging to align CSR with a firm's global strategy; however, addressing economic and social goals simultaneously benefits both the firm and society because the firm brings unique assets and expertise to improve the competitive context of the business environment including the quality of life in the local community. Consistent with the Society for Human Resource Management (SHRM, 2007: vii), we define CSR as "the commitment by organizations to balance financial performance with contributions to the quality of life of their employees, the local community and society at large".

The Construct of CSR

One concern regarding CSR research is the lack of clarity with respect to the definition and dimensionality of the construct (Rowley & Berman, 2000; McWilliams et al., 2006). Carroll (1979) identified four components of CSR: economic, legal, ethical, and discretionary or philanthropic. The point was that "CSR, to be accepted as legitimate, had to address the entire spectrum of obligations business has to society, including the most fundamental – economic" (Carroll, 1991: 40). The economic component is business's fundamental responsibility to make a profit and grow, which parallels the shareholder perspective (Friedman, 1970), and also includes providing economic benefits to other stakeholders such as fair paying jobs for employees and good quality, fair priced products for consumers. The legal component refers to firms' duty to obey the law and to play by the rules of the game that at least meet minimal legal requirement. The ethical component addresses firms' responsibility to respect the rights of others and to meet the obligations placed on them by society to secure these rights. This component is consistent with the idea of corporate citizenship and stakeholder theory (e.g., Freeman, 1984; Donaldson & Preston, 1995; Dawkins & Lewis, 2003) and requires corporate integrity and ethical behavior beyond mere compliance with laws and regulations. The discretion component involves philanthropic activities that firms perform in a manner consistent with charitable expectations of society and that help enhance a community's quality of life, such as to assist the fine and performing arts, private and public educational institutions, and humanitarian programs. The discretionary component is rooted in the belief that firms have a wide scope of discretionary judgment and choice in terms of deciding on specific activities or philanthropic contributions that are aimed at giving back to society. The four-component conceptualization of CSR is constructed as a pyramid towards an improved ethical organizational climate: be profitable, obey the law, be ethical, and be a good corporate citizen (Carroll, 1991; 1999).

Some scholars contend that there is no absolute hierarchy of duties (e.g., Ross, 2000; Lantos, 2002; Waldman, de Luque, Washburn & House, 2006), and instead suggest that the ranking of CSR components depends on the situation. For example, from the stakeholder perspective, the pyramid of CSR would envision stakeholders as existing at four levels, from broad and less immediate to the firm to narrow with close ties to the firm. In the case of corporate giving, for example, making a monetary donation to a charity organization could be a philanthropic action at the expense of interests of others closer to the firm, such as workers, who might then receive lower pay, or consumers who might then pay higher prices. In this situation, the four-component pyramid offers little strategic guidance for organizations facing a dilemma.

Lantos (2001) distinguished between ethical and altruistic CSR as mandatory (ethical) vs. voluntary (social). Ethical CSR is morally mandatory and goes beyond fulfilling a firm's economic and legal obligations to its ethical responsibilities to avoid harms or social injuries, even if the firm might not appear to benefit from this. Actions are taken because they are right, not because they are mandated by law or are profitable, such as money spent on workplace safety or pollution control. Here, ethical CSR incorporates the first three components in the CSR pyramid (Carroll, 1991) discussed above. In contrast, altruistic CSR is voluntary, equivalent to philanthropic responsibilities, and involves contributions to the greater good of various stakeholders, regardless whether or not this will benefit the business itself. Firms practicing altruistic CSR help to alleviate various social ills within a community or society, such as poverty, illiteracy, child labor, drug and alcohol problems, among others. The justification of corporate altruism lies in the fact that modern corporations have been entrusted with massive economic and human resources and therefore have an implicit social contract between business and society whereby firms agree to be good stewards of society's resources. However, Lantos (2001) contends that altruistic CSR, although noble and virtuous, could conflict with the profit-making orientation of business firms, and hence may lie outside the proper scope of their activities.

Enderle (2004) suggests that firms have three responsibilities to society: economic, social, and environmental. A research paradigm parallel with this perspective is stakeholder theory, whereby firms are deemed responsible to specific stakeholder groupings, such as stockholders, consumers, employees, suppliers, local communities, larger society, environment, and so on. The principle of sustainability often invokes the so-called triple bottom line of a firm's economic, social, and environmental performance (Porter & Kramer, 2006). When framed in terms of managerial decision-making values, CSR appears to be a multidimensional construct, composed of concern for shareholder/owners, stakeholders, and the community/state welfare (Waldman et al., 2006).

The CSR components depicted in a pyramid, as a dichotomous categorization, or as a three-dimensional model offer insight into what constitute corporate responsibilities, but they fall short of strategic guidance that would enable firms to align their CSR goals with business opportunities (Galbreath, 2006). The fragmentation between the generic CSR rationale and specific companies or the locations where they operate does not help enhance the capability of the focal companies to make any meaningful social impact, nor would it strengthen their long-term competiveness (Porter & Kramer, 2006). Since stakeholders have different demands and priorities, which are sometimes conflicting or mutually exclusive, their responses to specific CSR approaches range from positive to negative and neutral to skeptical. Nevertheless, CSR continues to attract stakeholder interest. Porter and Kramer (2002) conclude that integrating CSR in corporate and business strategies will be critical in global competition.

For the present study we propose that in the cross-cultural context, different cultural values (e.g., time-orientation, collectivism vs. individualism) are likely to influence the ranking of CSR components, stakeholder expectations, and how business executives prioritize and pursue CSR goals. In view of corporate philanthropic activities, local communities may be confronted with different socioeconomic challenges like tropical diseases, HIV/AIDS epidemics, overuse of natural resources, pollution, high unemployment rates, illiteracy, sweatshops, poverty, or social disparity issues. Without a firm-industry specific competitive context, these problems may appear equally important and hard to prioritize, whereas to different local communities where MNCs operate and compete, they may not be equally challenging or equally urgent. National wealth, organizational resources and capabilities, and personal values of individual executives may also influence where to focus and how CSR decisions are being made.

Bridging CSR Arguments with Strategic Options

Strategic CSR is largely underdeveloped in the literature (Galbreath, 2006). Hill, Ireland and Hoskisson (2001) define a strategy as an integrated and coordinated set of commitments and actions designed to exploit core competences and gain a competitive advantage. Existing conceptualizations of strategic management suggest there are two levels of strategy making: corporate strategy and business unit strategy. Corporate strategy is concerned with the scope of the firm in terms of the industries and markets in which it operates and competes, while business unit strategy is concerned with how the firm operates and competes within a particular industry or specific individual product markets. For the purpose of the present research, we follow the perspective of strategic CSR in the cross-cultural context (Galbreath, 2006) that corporate strategy is equated to the home country while business unit strategy is equated to the host country. This perspective is consistent with the definition of global strategy in which standardized products are offered across borders (in a CSR strategy, e.g., standard business ethics are followed) and the competitive strategy (e.g., CSR vision and commitment as a differentiation strategy) is dictated by the home office. CSR host-country responsiveness is aligned with the purpose of business unit strategy or multi-domestic strategy in which strategic and operating decisions are decentralized in order to tailor products to local markets and, likewise, CSR programs and initiatives can be tailored to the host-country environment and be responsive to specific stakeholder groupings in the local community or society at large.

Lantos (2002) defines strategic CSR as involving corporate community service activities that accomplish strategic business goals. Here, corporate philanthropy is aimed at achieving strategic business goals while also promoting social welfare. Corporations contribute to the community not only because it is a kind and generous thing to do, but also because they believe it to be in their best financial interests to do so, thereby fulfilling corporate fiduciary responsibilities to the stockholders. Proponents for CSR have used four arguments: moral obligation, sustainability, license to operate, and reputation (Porter and Kramer, 2006). Unfortunately CSR has had limited impact on the field of strategic management (Galbreath, 2006). The segregation between economic and social perspectives of CSR often put the two in conflict. Business executives find it hard, if not impossible, to justify charitable expenditures in terms of bottom-line profits (Porter & Kramer, 2002). The current economic downturn has provoked some organizations to put CSR activities on hold until the economy rebounds, while others think that those who abandon CSR will lose ground and breed cynicism in brighter times (Strandberg, 2009).

Given the uncertainty surrounding CSR, it is time to address two basic questions: Is CSR a generic rationale that fits all or is there a framework of strategic options for individual firms to assess, compose and implement according to their firm-industry specific competitive conditions?

Galbreath (2007) recommends four CSR strategic options, including the shareholder strategy, the altruistic strategy, the reciprocal strategy, and the citizenship strategy. In the following we navigate CSR strategic options in the cross-cultural context, with special attention to high-tech MNCs and the unique role of IHR in assessing, formulating and implementing CSR strategies in emerging economies. Our classification of a high-tech firm includes both R&D intensity and usage of most advanced technology in a given industry. Because high-tech firms develop or use the most advanced technology, they are often viewed as having a great potential for high profits and growth as well as possessing exceptional resources and capabilities to generate greater value for society. A high-tech MNC might work on a project 24 hours a day, with professional teams and operative employees working across the headquarters and foreign subsidiaries, with value-chain management around the globe, and with suppliers and strategic partners in different parts of the world. We propose that CSR strategic options for a high-tech MNC are not an either or selection from a broad spectrum but should embrace both parent-country and host-country considerations.

Shareholder Strategy

The shareholder strategy is best aligned with the efficiency perspective and the legal component of CSR, which is exclusively focused on maximizing shareholder returns. It is argued (Friedman, 1970) that the only responsibility of business is to provide jobs, make goods and services that are demanded by consumers, pay taxes, make a profit by obeying minimum legal requirements for operation and by engaging in open and free competition without deception or fraud. This argument entails the belief in the "invisible hand" that free market forces will self adjust to correct social problems, which business managers are not trained for, but taxes paid to the local and state governments can be directed to community/state welfares or social issues. A corporation's only social responsibility is its fiduciary duty to maximize shareholder wealth while obeying the law and basic concerns of ethics (Friedman, 1996). Consequently the use of organizational resources for the larger good, such as donating to charities, is detrimental to firms since it may decrease profitability or increase product prices or both (Pinkston & Carroll, 1996). Initiatives focused on CSR may be possible, but only if they improve the profits of the firm. By pursuing maximum profit and strict accountability to the owners of capital, the wealth created is sufficient to meet any social responsibility (Friedman, 1970). Given its pure economic focus, the shareholder strategy is a strategic CSR option with a predominantly short-term vision in that it is primarily concerned with producing better financial results over any given previous period (Galbreath, 2007).

We propose that despite the on-going debates surrounding the pure shareholder focus, the shareholder strategy is nevertheless a valid CSR strategic option since it requires firms to conduct business in compliance with the law and play by the rules of the game in an open, ethical manner without deception or fraud – avoid harm or social injuries (ethical and mandatory). Law reflects society's codification of right and wrong, while the rules of the game can be tangible or intangible in the firm-industry specific competitive context (e.g., from well established standards in a given industry to the widely shared social expectations in one's home country, host county, or the global marketplace). For example, many U.S. based MNCs recognize the importance of effectively and equitably managing their workforce diversity both in compliance with the law such as EEOA (Equal Employment Opportunity Act) related legislation and as a guiding principle for better serving an increasingly diverse customer base domestically and globally.

We propose that from a cross-cultural perspective profitability stands most practically as a universal business value, at least among organizations in the private sectors, but the extent to which firms are willing to compromise short-term profit maximization for the larger good of society is likely to vary across borders and among firms of different nationalities. As an example, a longitudinal GLOBE study of cultural and leadership predictors of CSR in 15 countries (Waldman et al., 2006) indicates that at the societal level, higher per capita GDP (gross domestic product) is positively associated with managerial values focusing on shareholders. Specifically, managers in affluent and wealthier countries tend to be more in tune with CSR issues pertaining to shareholders and owners, and are clearly less inclined to think about the welfare of the greater community or society in their decision making. Perhaps they focus their attention "closer to home" in terms of shareholders or owners, while leaving greater community or societal concerns to the government or other institutions. In contrast, managers in poorer nations are apt to feel a personal responsibility toward the community and society at large, probably due to the inadequate government capability or other institutional agencies to deal with these concerns. Findings from the same study suggest that countries scoring higher on institutional collectivism values tend to encourage delaying immediate needs or gratification for future concerns and priorities. It is likely that collectivistic social norms promote thinking about how managerial actions pertain to the concerns of the larger collective or society.

In this regard both cultural values and institutional conditions emerge to shape the managerial CSR values and priorities, thereby jointly influencing their strategic CSR decision-making. It is likely that cultural values and the firm-industry specific legal, regulatory context also influence a firm's predisposition toward relatively short-term or long-term returns to its shareholders.

Altruistic Strategy

The altruistic strategy parallels the concept of corporate philanthropy that goes beyond preventing possible harms (ethical, mandatory) to helping alleviate public welfare deficiencies (social, voluntary), regardless of whether or not this will benefit the business itself (Lantos, 2002). Typically philanthropic giving comes from a firm's surplus profits and is distributed according to social values and social and moral precepts, thereby contributions may be channeled to various kinds of social, educational, recreational, or cultural constituencies. Personal values of executives and even their religious convictions may influence how a firm is predisposed toward social responsibility beyond profit maximization (Joyner & Payne, 2002; Angelidis & Ibrahim, 2004; Hemingway & Maclagan, 2004; Waldman et al., 2006). The altruistic strategy encompasses "doing the right thing" by giving back to the community without expecting anything in return. As an act of goodwill on the part of the firm, direct benefits may not be measured. Corporate giving may be based on social causes on an *ad hoc* or intermittent basis such as after a natural disaster in the community, or in the form of reoccurring contributions such as annual charity giving (Galbreath, 2006).

In comparison with the shareholder strategy, corporate altruism is clearly more value driven, cause-related, intermittent, or *ad hoc*. Drivers may include societal, organizational, and individual levels of values and beliefs (e.g., employee voluntary programs, employee community service, employer donation or match of contributions to various social, cultural, recreational, or environmental enterprises, etc.). A pilot study involving HR professionals in seven countries (SHRM, 2007: 25) offers empirical evidence of the corporate movement toward CSR altruistic values as reflected in their consistently positive responses to the statement "organizations should go beyond money making and contribute to broader societal goals", a converging trend toward corporate philanthropy. However, the same study also highlights that firms in different societies vary greatly in their CSR approaches, indicating marked divergence in cross-cultural CSR practices and priorities.

As shown in Table 1, the largest percentages of the HR respondents in India and China reported that their organizations had donated or collected money for natural disasters, such as the South-Asian tsunami, hurricane Katrina in the United States, earthquakes, etc. This CSR pattern in Asia's major emerging economies appears more *ad hoc* and humanitarian-oriented through aids, rescue and disaster relief activities beyond the firms' home base national boundaries. In contrast, the largest percentages of the HR respondents in the United States, Canada, Australia, Mexico and Brazil reported that their organizations had donated or collected money for local charities. This CSR pattern appears more intermittent, value- and social cause-related. Despite the clear differences, it is worth noting that the top two most frequently reported CSR practices are for local charities and natural disasters among firms from five out of even surveyed countries: the United States, Australia, China, India, and Mexico, regardless of culture and economic disparities.

Table 1: Selected CSR Practices by Country							
CSR Practices	U.S. (n=420)	Canada (n=1,106)	Australia (n=266)	China (n=108)	India (n=161)	Mexico (n =113)	Brazil (n =149)
Donate/collect money for local charities	88%	90%	84%	64%	60%	76%	74%
Donate/collect money for natural disasters (e.g., South-Asian tsunami, hurricane Katrina, earthquakes, etc.)	77%	51%	68%	69%	70%	61%	30%
Support the community through company-sponsored volunteer projects	66%	58%	51%	26%	57%	45%	73%
Consider the overall social impact of business decisions	47%	54%	52%	35%	38%	26%	62%
Partner with woman- or minority-owned suppliers/companies	39%	19%	12%	-	22%	20%	25%
Monitor the impact of business on the environment	34%	53%	50%	23%	39%	42%	65%
Partner with environmentally friendly suppliers/companies	27%	38%	36`%	22%	39%	37%	70%
Cause marketing/branding (i.e., aligning product or company marketing with a particular social cause)	25%	32%	32%	31%	31%	27%	48%
Monitor global fair labor standards and practices (e.g., child labor regulations, working conditions)	15%	22%	17%	19%	39%	53%	73%
Track sources of global raw materials/suppliers	7%	8%	9%	10%	13%	19%	32%
Source: SHRM (2007) CSR Pilot Study. Data sorted in descending order by the U.S. data. The sample sizes and percentages are based on the actual number of respondents who provided information about participation in selected corporate social responsibility practices. Percentages do not total 100% due to multiple response options. The response option “partner with woman-or minority-owned suppliers/companies” was not available to respondents from China. Caution should be exercised when interpreting results with small sample sizes.							

Potential reasons for the large cross-cultural variation in CSR practices and priorities may include availability of financial resources, organizational size, cultural traditions, and public sensitivity toward economic, social and environmental issues. We propose through the present research that genuine altruism does not have to be separated from a firm’s business objectives but rather it may engender enlightened self-interest to the extent that the firm may gain enhanced workplace morale, sound public relations, and an outstanding reputation, among others, which together may enable the firm to outperform its competitors in the same industry. Corporate philanthropic initiatives can help improve the quality of life in the local community or larger society, which will ultimately benefit all citizens including the altruistic firms. This proposition embraces a long-term dimension of the altruistic strategy, in which no immediate self-interest or economic returns are sought.

Reciprocal Strategy

The reciprocal strategy is more pragmatic in that it seeks to resolve the conflicts between corporate economic objectives and intense social, moral, and environmental expectations of society (Galbreath, 2006). Recent corporate scandals suggest that a firm’s survival in modern society requires an awareness of social responsibility as an indispensable part of strategy. In this strategy, firms are more proactive with respect to CSR activities. CSR activities, including corporate giving, should be tied to one’s core business resources and capabilities. For example, high-tech firms, such as Motorola, HP, Ericsson and Siemens, among others in China, have followed one another to provide continuous in-house employee training and development opportunities and have also established strategic partnerships with local Chinese universities to improve education in science and engineering. These CSR activities and investments not only benefit local communities or the society at large by promoting education in science and engineering but are also strategically aimed at growing human capital internally and developing a future talent pool externally for the high-tech MNCs themselves – mutually beneficial and systematically pursued.

From the global strategy perspective, as emerging economies progress to become more like developed economies, their national competitive advantages, by design, will be also upgraded from low- to high-skilled labor. In the knowledge-based high-tech industry, human capital is a core intangible resource for innovation. By investing in people and through strategic partnerships with local schools, high-tech MNCs in emerging economies also improve quality of labor for themselves and for their local suppliers, which in turn help sustain the key competence of the high-tech firms whose survival and sustained competitiveness depend on innovation and continuous upgrading. Another good example is Microsoft that has a long established Working Connections partnership with the American Association of Community Colleges (AACC) and its continuous CSR involvement in various humanitarian and educational projects in developing countries and emerging economies to help raise IT literacy and public awareness of social and environmental issues, which in turn help nurture potential future IT employees, customers, and long-term business opportunities and sustainability for the company.

Consistent with the conceptualization of the reciprocal strategy and the firm-industry specific cases discussed above, SHRM (2007) found public image at the top of a series of organizational attributes that HR respondents surveyed in seven countries believe can be improved by CSR practices, followed by employee morale, consumer/customer confidence, brand recognition, employee loyalty, and position as an employer of choice as the leading CSR benefits to their organizations (Table 2).

Empirical findings and firm-industry specific cases incorporated in the present research clearly show both tangible and intangible benefits of CSR practices to the investing or contributing firms. In the reciprocal strategy, activity-based reporting is helpful in that it allows a firm to track a given CSR investment to an actual return or specific benefits to the firm. Calculated CSR activities, self disclosure and reporting also make a firm’s CSR commitment and results more transparent to both its shareholders and stakeholders.

In line with suggestions by Waldman et al (2006), we generally posit that from a cross-cultural perspective the reciprocal strategy may be aligned more in tune with stakeholder social expectations in collectivism-oriented societies where firm-community relationships and mutual benefits tend to outweigh the pure shareholder/owner focus.

Table 2: Degrees That CSR Practices Improve Various Organizational Factors by Country							
CSR Impact	**U.S.** (n=431)	**Canada** (n=1,145)	**Australia** (n=286)	**China** (n=117)	**India** (n=170)	**Mexico** (n =114)	**Brazil** (n =153)
Public image	3.62	3.64	3.56	3.73	3.67	3.73	3.90
Employee morale	3.32	3.24	3.16	3.08	3.24	3.59	3.78
Consumer/customer confidence	3.31	3.26	3.10	3.35	3.22	3.52	3.68
Brand recognition	3.30	3.27	3.30	3.45	3.51	3.52	3.84
Employee loyalty	3.26	3.25	3.17	3.10	3.18	3.52	3.71
Position as an employer of choice	3.15	3.27	3.20	3.22	3.10	3.27	3.89
Competitive advantage	2.99	2.98	2.87	2.99	2.90	3.25	3.47
Recruitment of top employees	2.95	2.99	2.84	3.09	2.94	3.15	3.32
Employee retention	2.88	2.93	2.82	2.76	2.76	3.11	3.28
Financial bottom line	2.74	2.64	2.57	2.37	2.56	2.80	3.17
Workforce productivity	2.66	2.62	2.48	2.43	2.74	2.96	3.20
Source: Based on a pilot study reported by SHRM (2007). Data sorted in descending order by the U.S. data. The sample size is the total number of responding HR professionals by country; however, the averages are based on the actual number of respondents by country who answered these questions. Average ratings are based on a scale where 1 = "to no degree at all" and 4 = "to a large degree" (higher averages indicate greater degree of belief). Caution should be exercised when interpreting results with small sample sizes.							

Citizenship Strategy

Corporate citizenship as a strategic option recognizes a broader scope of moral obligations to society and is best described as a stakeholder perspective. Stakeholder theory suggests how the diffusion and transfer of ethical principles and CSR values into business activities could affect stakeholder relations involving various internal and external constituents such as employees, consumers, suppliers, stockholders, local communities, larger society, the environment, and so on. Since stakeholders' expectations and priorities differ and are often mutually exclusive (Sethi, 2003), balancing the competing demands of various groups is a feature of this strategy (Galbreath, 2006). For example, if a high-tech firm downsizes its home base of operation while shifting its production jobs overseas in order to maximize efficiency and profitability, is it good citizenship or socially irresponsible? In this paradox, stakeholders are likely to give different answers both within and across borders.

A key attribute of the citizenship strategy is proactive and open dialogues with diverse stakeholders to the extent that the success of this strategy depends on transparency, accountability, and effective means to encourage and incorporate diverse stakeholders' inputs and feedback about the firm's triple bottom line performance. Stakeholders' inputs and feedback, and firms' strategic objectives and social responsiveness are integrated in the CSR vision and practices. Potential CSR benefits to the firm may not be materialized in a short time frame; however, the citizenship strategy is more proactive and long-term focused even if at the expense of weaker short-term results. The citizenship strategy encompasses managing and measuring CSR activities and outcomes (e.g., the triple bottom line of financial, social, and environmental performance, impacts, reports, and continuous improvement).

Scholars in the field of strategic CSR suggest that corporate citizenship offers both tangible and intangible rewards from improved financial results, workplace morale, brand image and outstanding organizational reputation to better quality of the firm-industry specific competitive context towards the future (e.g., Margolis & Walsh, 2003; McWilliams & Siegel, 2000; Porter & Kramer, 2002; Yang, Colvin & Wong, 2012). As an example, a field study by one of the coauthors of the present research found that when post-apartheid South Africa was confronted with chronic high unemployment, Volkswagen, the German automobile MNC chose to operate its foreign subsidiary in South Africa in a suboptimal way to save jobs for local assembly line workers and their families. In addition, Volkswagen sponsored entrepreneurial workshops for women in collaboration with the local church, and donated computers to the most ill-funded school district, which had no direct link to Volkswagen's business but were particularly aimed at helping alleviate public problems associated with high unemployment rates in the local community. The Volkswagen Group website provides its CSR Worldwide vision and projects with the following statement: Helping others to help themselves.

> *For us, as a good corporate citizen, social involvement constitutes a key element of our entrepreneurial activities. The same maxims apply at all Volkswagen Group locations worldwide: we support social development, culture and education. At its facilities the Group is involved in the development of regional infrastructure and research, setting up projects in the fields of health promotion, sport and nature conservation. Our responsibility does not end at the factory gates. We are committed to improving the living conditions of people at our locations beyond the minimum statutory requirements. The Volkswagen Group has a long tradition of looking after the interests of the regions in which our production facilities are located. As part of our corporate culture, this has also been a major factor in enabling us to recruit qualified personnel for our company.*

CSR activities and managerial decision-making in the case of Volkswagen in post-apartheid South Africa appear closely aligned with the citizenship strategy. Even if there seems to be no immediate or direct benefits to the firm, as a far-sighted approach to the key issues of the future, corporate citizenship serves as an important factor to position the firm competitively in the global marketplace. In the era of increased public concern over global climate change and overuse of natural resources, Volkswagen was the first car manufacturer to apply ISO 14000 series (global standards for environmental management) during its drafting stage, which was proactive and tied to its cutting-edge technology and innovation capability through resource conservation, reducing greenhouse emissions and fuel consumption, enabling the use of alternative fuels, avoiding the use of hazardous materials, and inventing the environmental friendly manufacturing process that facilitates car disassembling and recycling systems. In 2011, Volkswagen was named among the top 25 of the Forbes Global 2000 Leading Companies.

Since firms and society are interdependent, what is good for the local community or society at large will be ultimately beneficial to the firms. We propose that in the long run, social and economic goals are integrally connected. However, with a broad spectrum of CSR issues and strategic options, organizations need to rethink where to start and how to focus. Porter and Kramer (2002) suggest a context-focused approach that requires companies to use their unique attributes to address social needs in the corporate competitive context, thus promoting a convergence of interests between business and society.

THE ROLE OF HUMAN RESOURCE MANAGEMENT IN STRATEGIC CSR

Since many of the cross-cultural ethical and social issues have a direct link to the human side of business, we propose that a firm's IHR function plays a key role in helping its home office and foreign subsidiaries identify, prioritize, and achieve strategic CSR objectives locally and globally. We define IHR as managing human resources across borders, including conventional HR responsibility in strategic planning, staffing, employee training and development, performance management, compensation and benefits, and industrial relations in the international arena.

Compared to HR practices in a domestic context, IHR is more complex because it concerns disparate socioeconomic environments and multicultural employee groups such as parent-country nationals, host-country nationals, and third-country nationals. Since managerial attitudes and organizational approaches toward business ethics and CSR issues are rooted in differing cultural traditions, social norms, economic conditions, regulatory institutions, and business practices, IHR stands as a potential integrative system to transfer well established moral standards from a MNC's home base to its foreign subsidiaries and business partners. If systematically pursued, IHR can also play a key role in helping a MNC incorporate appropriate global standards, foster CSR values vertically and horizontally, and accommodate diverse stakeholder expectations within the paradigm of strategic international human resource management.

Current and prospective employees compose a key stakeholder grouping close to the firm. From the shareholder perspective, safeguarding employees from harm at work is one of the basic concerns of business ethics. Whereas the legal and regulatory institutions tend to be inadequate and laws are often not enforced in many developing countries and emerging economies, MNCs from developed countries tend to have well established rules and ethical standards at home, such as the Occupational Safety and Health Administration (OSHA), EEOA related legislation, and Environmental Protection Agency (EPA) in the United States. There are also regional and global institutions that have set up certain universal rules and global CSR standards such as the ISO (International Organization for Standardization) 14000 series for the environment, ISO 26000 for social responsibility, and SA (Social Accountability) 8000 for labor related issues. In this regard, MNCs have a great potential to create greater good for society by transferring knowledge and leveraging appropriate CSR practices across borders.

From the stakeholder perspective, IHR can help the firm identify and benchmark other companies' successful CSR practices that matter most to the local community and are also aligned with the firm's strategic objectives. Table 3 exemplifies the critical role of HR/IHR in a firm's potential CSR strategic options. In the typology of CSR strategic options, there is significant overlap in the role of HR/IHR as well as in terms of benefits to the firm and impact to society, because the strategic options are not exclusive. As Table 3 indicates, there is variation in the degree and orientation of CSR strategic options' core values and focus.

Table 3: CSR Strategic Options and the Role of HR/IHR

CSR Strategic Options	Core Values and Focus	Role of HR/IHR	Benefits and Social Impact
Shareholder Strategy	▪ ost-efficiency, profit maximization, short-term economic return on CSR investment	Providing good jobs through job analysis and job redesign, fair pay, workplace safety, quality products and services in compliance of law and firm ethical codes of conduct	Improved workplace morale, job satisfaction, productivity, labor relations, consumer confidence and loyalty, tax obligations to society
Altruistic Strategy	Giving back without expecting return, humanitarian or social cause-related, ad hoc or intermittent philanthropic practices	Nurturing and embracing CSR values in organizational culture, support and provide employee voluntary community service opportunities, sponsorship or match of contributions to charities, disaster reliefs, or social, environmental projects	Good will, ethical and CSR leadership, social impact and contributions to broader societal goals, help to alleviate public problems
Reciprocal Strategy	Mutual benefits, CSR tied to business goals and benefits, medium to long-term planning	Employee training and development opportunities, partnership with local educational institutions, preventive healthcare and welfare programs, incorporating community services and contributions to larger society in performance review systems	Human capital and future talent pool development, recruiting and retention, connection to better quality of life in local communities
Citizenship Strategy	Moral obligations to other citizens in society, business-society interdependence, sustainability, long-term horizon	Demonstrating transparency and accountability on the part of the firm, CSR auditing and reporting as the process of communicating with diverse stakeholder groups, web-based CSR value statement, self disclosure and CSR activities as related to domestic, foreign, and global communities, incorporating diverse stakeholders' inputs and feedback in CSR strategy development and implementation	Outstanding reputation, triple bottom line performance, improved social and environmental conditions for sustainability and greater good of society, holistic competitive context improvement for the future

Fair labor practices and continuous employee training and development not only improve the quality of workers, but also improve their job satisfaction, retention, and workplace morale, so that the company may enable itself to compete more vigorously in the global marketplace, and workers and their families have a better quality of life. Volkswagen, for example, states specifically how its success is based on the qualification and personal commitment of approximately 400,000 employees around the world.

> *A company will only be able to survive in the face of international competition if it has a top team, characterized by a high level of competence, dedication, inventiveness and fitness.*
>
> ***Competence*** *is created from good basic training and a life-long willingness to learn.*
>
> ***Dedication*** *ideally means entrepreneurial thinking and actions, not only by management staff. Active contribution of ideas and participation are expected of all members of staff.*

The success factors are encouraged in our human resources processes and in projects.

According to the SHRM (2007) study, a vast majority of the HR respondents in the United States (91%), Australia (89%), India (85%), China (81%), Canada (91%), Mexico (89%) and Brazil (95%) indicate their organizational participation in CSR practices. CSR practices are believed to improve a series of organizational factors with a large part directly linked to the areas of responsibility conventionally handled by the HR function, such as employee morale, employee loyalty, positioning as an employer of choice, recruitment of top employees, employee retention, and workplace productivity. However, HR professionals are more likely to be primarily responsible for implementing their organizational CSR strategies than being directly involved in strategy development. Among a list of main obstacles to CSR programs, cost, unproven benefits, and lack of support from senior managers are identified as the top three for the American HR respondents, whereas for the HR respondents in China and India, the third on the rank of main obstacles is "it is not yet mainstream, so there is no business advantage" (SHRM, 2007: 24). This difference opens the door for MNCs to transfer their CSR knowledge and competence across borders by demonstrating CSR visions and practices in emerging economies, and through the role of their IHR to help elevate public awareness of the competitive advantage and synergy that CSR can create and sustain locally and globally. This of course cannot be accomplished without well established CSR values at the multinationals' headquarters and corporate global strategy that embrace CSR visions, objectives, and commitment.

As organizations worldwide have begun to embrace CSR both as a social responsibility and for sustaining their competitive advantage, HR/IHR functions have a number of possibilities to play a larger role in CSR strategy from conception to application. Strandberg (2009) lays out ten steps that HR professionals can follow to support the integration of CSR throughout their business strategies and operations.

1. Vision, mission, values and CSR strategy development
2. Employee code of conduct
3. Workforce planning and recruitment
4. Orientation, training, and competence development
5. Compensation and performance management
6. Change management and corporate culture
7. Employee involvement and participation
8. CSR policy and program development
9. Employee communications
10. Measurement, reporting and celebrating successes along the way

The roadmap appears sequential, but in practice, since an organization may have done some of these activities, it is feasible for HR managers to start from the middle and work in all directions in order to continuously improve the triple bottom line and to help enhance the firm's capability for self renewal or cultural change. Monitoring achievements and addressing problems are essential to continuously improving the CSR strategies and their implementations across borders.

In summary, organizations worldwide increasingly recognize the vital importance of incorporating CSR and sustainability into their organizational culture, vision, and business strategy. HR and IHR functions stand as a key organizational leader in assessing, formulating, and implementing strategic CSR according to the firm-industry specific situation. IHR professionals can take the lead or partner with various internal constituents across functions and through all levels. IHR professionals can also play a key role as a network builder to connect the firm with diverse internal and external stakeholders, transfer competence and knowledge between headquarters and subsidiaries, audit and address business ethics and CSR issues throughout supply chain management, and integrate CSR values and strategic objectives into "the way we do business around the world".

DISCUSSIONS AND CONCLUSION

Over the last three decades and especially over the first century of the new millennium, the volume of international trade and foreign direct investment (FDI) has increased dramatically through trade liberalization and accelerated economic globalization, bringing companies and their managers into ongoing contact with diverse business partners, competitors, consumers, and communities across national borders. The world has also been confronted with various economic, social, and environmental challenges, as reflected in the recent worldwide financial crisis, the Occupy movement, and growing climate change concerns.

While for many people and individual firms, globalization has become a reality, business ethics and CSR concepts have not yet been globalized. As demonstrated in this study, convergence and divergence coexist. To a large extent, attitudes and approaches toward ethics and CSR are rooted in differing cultural traditions, social norms, economic conditions, regulatory institutions, and business practices. Consequently MNCs are often faced with ethical dilemmas within their specific competitive context. Among the top challenges is how to identify, prioritize, and tackle CSR issues that matter most to the organization and would also produce maximum social benefit to local communities. A myriad of issues such as labor practices, environment, and business-society relations have caught the attention of executives, academics, trade unions, public officials, mass media, and global watchdog activists. Costs, unproven benefits and economic hard times, among others, present real challenges to CSR decision making and commitment. Added to the complexity are marked differences and variation in cultural values, stakeholder expectations, national wealth, and regulatory institutional conditions.

The present study adds knowledge and strategic implications to the existing CSR literature in several ways. First, the study navigates the CSR components as closely aligned with potential strategic options in the cross-cultural context, with special attention to high-tech MNCs expanding their operations from advanced societies to emerging economies. Through this endeavor the study provides a comprehensive review of the existing literature along with firm-industry specific cases. Based on existing literature, empirical findings and case analysis, the study offers deepened knowledge of the construct of CSR, thereby providing a cross-cultural framework of strategic options for firms to assess, compose, and implement.

Second, the study sheds light on the key role that the HR and IHR functions can play in helping firms identify, prioritize and achieve CSR objectives domestically and across borders. Among key issues are managing CSR within the context of dynamic socioeconomic changes and the rising need to accommodate diverse and often conflicting values and norms aligned with the multi-faceted strategic considerations and corporate moral standards. As social norms and institutional rules continue to be local, often having loopholes for corporate scandals or misconduct because of weak supervision by enforcement agencies, disparity in economic development, or different social expectations and priorities, MNCs' HR/IHR functions have a special role to play in communication, training, integrating, monitoring, and enforcement of an organization's well established moral standards and global regulations within the strategic IHR paradigm.

Third, the study also provides practical implications. We propose that successful CSR strategies and practices rely heavily on enlightened people both internally and externally. Employee involvement programs and professional networking equip a MNC's IHR function to gain additional knowledge and information about how CSR is positioned in other companies within the same industry, specific challenges to the companies pursuing CSR goals, and main concerns to the local communities. Through this endeavor, IHR can help connect internal and external stakeholders in a firm's strategic CSR process, thereby different stakeholder groups become actively involved rather than being treated as uninvolved, segregated constituencies.

In practice, however, CSR efforts are oftentimes resisted or faced with obstacles due to cost concerns, difficulty to track CSR investment or practices to short-term return, and lack of support from top management. In addition, various stakeholder groups are often segregated from one another. Economic and social objectives are often seen as distinct and competing. By presenting a context-focused CSR approach, this study highlights both potential tangible and intangible benefits to the firm, both short-term and long-term economic returns to the shareholders, and how improvement of the competitive context holistically through CSR efforts (e.g., public health, education, infrastructure, natural conservation, etc.) will connect the firm with better quality of life in the local community and contribute to the larger good of society, thus promoting a convergence of interests between business and society.

To conclude, the theoretical propositions and CSR strategic implications in the cross-cultural context raised in the present study await future research and more in-depth case studies to further refine the knowledge and better transfer to the practical field and business education.

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ACCOUNTABILITY AT THE TOP: EXECUTIVE EQUITY OWNERSHIP AS AN ALIGNMENT MECHANISM IN TIMES OF PERCEIVED SHAREHOLDER NEGLECT

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ABSTRACT

An empirical examination is offered by investigating the impact of CEO equity ownership following a portfolio restructuring. This paper draws upon the literature which suggests that portfolio restructuring results from poor performance, which in turn is driven by inadequate oversight of the firm. As such, it is common for the governance structures of restructuring firms to automatically be labeled as weak and inadequate. Research has not proven that governance is weak in the pre-restructuring period, yet this philosophy has become institutionalized. This paper incorporates institutional arguments by suggesting that firms will adjust governance structures to reflect socially valid indicators of governance, namely CEO equity ownership in the firm.

INTRODUCTION

There is unequivocal consensus that the dominant theoretical perspective employed to investigate governance and governance issues in a host of disciplines (e.g., law, finance, and strategic management) is agency theory (Daily, Dalton & Rajagopolan, 2003; Dalton, Daily, Ellstrand & Johnson, 1998; Dalton & Dalton, 2011; Dalton, Daily, Certo & Roengpitya, 2003; Hillman & Dalziel, 2003; Jensen, 1998; Lynall, Golden & Hillman, 2003; Schulze, Lubatkin & Dino, 2003; Shleifer & Vishny, 1997; Young, Stedham & Beekun, 2000). The central premise of this theory is that managers, as agents, can engage in decision making and behaviors that may be inconsistent with maximizing shareholder wealth (Berle & Means, 1932; Fama & Jensen, 1983; Jensen & Meckling, 1976; Eisenhardt, 1989).

Agency theorists see the primary functioning of the board of directors as monitoring the actions of agents (i.e., managers) to protect the interests of principals (i.e., owners). Similarly, legal and financial scholars emphasize the fiduciary responsibilities of directors to ensure that managers are acting in the interests of shareholders (Bainbridge, 1993; Berle & Means, 1932; Mace, 1986). Thus, even though the monitoring function of the board of directors includes a number of specific activities (e.g., monitoring the CEO, monitoring strategy implementation, planning CEO succession, and evaluating and rewarding the CEO/top managers of the firm), the primary driver of each of these activities is the obligation to ensure that management operates in the interests of shareholders.

It is important to note that agency explanations have become so ingrained in governance research that alternative paradigms are too often ignored. Daily et al. referred to this barrier as *empirical dogmatism*, which they suggested has negatively impacted researchers' willingness to "embrace research that contradicts dominant governance models and theories (e.g., a preference for independent governance structures) or research that is critical of past research methodologies or findings" (2003: 379).

In essence, agency arguments have been institutionalized in reference to corporate governance. These have become the norms for viewing governance, and, as such, impact the organization of firms (e.g., the structure of the board) (D'Aunno et al., 2000). The agency arguments are embedded in how practitioners, institutional investors, and for the most part, academicians define what is good or sound corporate governance. In other words, there is remarkable consensus as to the best practices that need to reside in all firms if they are to maximize performance. Support for this idea was offered by Westphal and Zajac (1998) and Zajac and Westphal, who noted that "large investors appear to have co-opted normative agency theory to help legitimate their political agenda, thus contributing to and benefiting from the growth of agency theory as a dominant perspective on corporate control" (1995: 287-288).

A major area of academic study within the governance literature is the investigation as to what constitutes good governance. As a result of the institutionalization of agency arguments, the literature has reached considerable agreement that the proper internal mechanisms of a firm include effectively structured boards, executive and board compensation contracts that encourage a shareholder orientation, and concentrated ownership holdings that lead to active monitoring of executives (Chatterjee & Harrison, 2001; Daily et al., 2003). In essence, the social validity of these pressures and desired outcomes are largely unquestioned because they have been taken for granted. In other words, within the academic literature, popular press, and corporate practice, there is an extremely clear understanding as to what constitutes good governance. In fact, these conceptions are so ingrained in the minds of academicians, shareholder activists, large shareholders, and institutional shareholders that the validity of these conceptions goes unquestioned even in spite of contradictory evidence.

It is obvious that agency theory principles, as elaborated in the academic literature, have also dominated corporate practice (Daily et al., 2003; Shleifer & Vishny, 1997). Evidence of this can be found by considering the reforms sought by shareholder activists, thus lending insight into those governance practices that are perceived as both legitimate and effective in protecting shareholders' interests (Ryan & Schneider, 2002). According to Daily et al., shareholder activism is "designed to encourage executives and directors to adopt practices that insulate shareholders from managerial self-interest by providing incentives for executives to manage firms in shareholders' long-term interests" (2003: 373). It is argued in the literature that such activism acts as a trigger to destabilize managerial power and makes managers more responsive to the needs of institutional investors through increased monitoring by owners and boards of directors (David, Hitt & Gimeno, 2001). As noted by David et al., "through activism, managers are pressured to take actions to signal their commitment to owners" (2001: 146).

Specifically, this paper focuses the governance relationship frequently addressed in the domain of agency theory – *the equity owned by the CEO*. Equity owned by the CEO is often studied due to the belief that it may directly influence firm performance (Dalton, Hitt, Certo & Dalton, 2007). Furthermore, calls for greater equity ownership by the CEO in his/her firm when there is a belief that manager's interests have significantly diverged from those of the owners. This paper addresses a reoccurring situation where there is an institutionalized belief that managers (i.e., executives like CEOs) have neglected shareholder interests – *corporate restructurings*.

Corporate restructuring has been a significant area of interest in helping to understand the limits of firm growth, the implications of changes in the firm's business portfolio, as well as the effectiveness of changes in organizational and capital structures (Bergh, 2001; Bowman & Singh, 1993; Filatotchev & Toms, 2006; Johnson, 1996). Portfolio restructuring involves the process of divesting and acquiring businesses that entails a refocusing on the organization's core business(es), resulting in a change of the diversity of a firm's portfolio of businesses (Bowman, & Singh, 1993; Bowman, Singh, Useem & Bhadury, 1999).

A multitude of empirical and theoretical investigations into the antecedents of restructuring revealed that the premier explanation of asset restructuring is the *agency explanation*, which suggests that firms engage in restructuring as a direct response to less-than-desirable performance (Hoskisson & Hitt, 1994; Hoskisson, Johnson & Moesel, 1994; Johnson, 1996; Johnson et al, 1993). Additionally, it is posited that the suboptimal performance is driven by managerial inefficiencies arising from weak governance mechanisms. Due to its overwhelming acceptance by researchers, the agency explanation has made portfolio restructuring synonymous with weak or poor governance (Bethel & Liebeskind, 1993; Chatterjee, Harrison & Bergh, 2003; Markides & Singh, 1997). Research has not proven that governance is weak in the pre-restructuring period, yet this school of thought has become ingrained in the literature. From a post-restructuring perspective, a key question becomes, *if governance is truly weak or a complete failure in the pre-restructuring period, then what changes does a firm make in the post-restructuring period?* The basic implications of this question is that if firms do not correct such inefficiencies or shortcomings, then the process of portfolio restructuring may be followed by renewed expansion or continued inefficiencies in various governance mechanisms.

LITERATURE REVIEW

The Institutionalization of the Agency Explanation of Restructuring

The premier explanation as to why organizations engage in portfolio restructuring is in response to substandard organizational performance, which is driven by managerial inefficiencies that, in turn, resulted from weak governance. An organization divests assets with the intent of improving performance, whether it is their performance in relation to competitors, the overall industry, or a predetermined aspiration level. In fact, research has demonstrated that firms engaged in restructuring often are performing poorly prior to the initiation of restructuring activities (Bergh, 2001; Bowman et al., 1999; Hoskisson & Hitt, 1994; Hoskisson et al., 1994; Johnson, 1996; Markides & Singh, 1997; Smart & Hitt, 1994). For example, Jain (1985) found that performance began to suffer approximately a year prior to divestiture and resulted in negative excess stock return of 10.8% within the one year prior to the restructuring event.

More commonly known as the *agency explanation* of portfolio restructuring (Filatotchev, Buck & Zhukov, 2000; Hoskisson & Hitt, 1994; Markides & Singh, 1997), poor performance as an antecedent of portfolio restructuring has become the leading explanation in the literature to account for restructurings since the 1980s. This explanation suggests that performance needs to be improved as a result of past managerial inefficiencies, which arise as a result of agency costs. Arguments are made that the board of directors, ownership concentration, and managerial incentives were ineffective and resulted in the failure of internal governance systems (Bethel & Liebeskind, 1993; Chatterjee & Harrison, 2001; Hoskisson et al., 1994; Johnson, 1996).

Although never truly defined in the literature, *weak* governance is believed to be characterized by diffusion of shareholdings among outside owners, board passivity, and certain characteristics of managers and boards, such as minimal equity ownership by top managers and board members or an insufficient amount of outsiders sitting on the board (Bethel & Liebeskind, 1993; Dalton et al., 2003; Johnson et al., 1993; Johnson, 1996; Westphal & Fredrickson, 2001).

Due to its overwhelming acceptance by restructuring researchers and its simplistic and intuitive appeal, the agency explanation has made portfolio restructuring synonymous with weak governance (Bethel & Liebeskind, 1993; Markides & Singh, 1997). Smart and Hitt echoed this sentiment by suggesting that "many of the arguments and concepts embedded in the agency literature seem so compelling that agency and governance related arguments have become a virtual de facto explanation for many types of corporate restructuring" (1996: 1). As a result, the academic and practitioner literatures on portfolio restructuring have devoted much effort to pointing out such alleged governance failures and highlighting ways of improving the corporate governance system of the modern corporation (Jensen, 1993).

Firm Performance and Powerful Forces for Governance Reform

The literature suggests that large firms are under considerable pressure from concentrated ownership, such as institutional investors, to improve performance (Ryan & Schneider, 2002; Westphal & Zajac, 1997; Westphal & Fredrickson, 2001). Institutional fund managers have been particularly effective in achieving governance changes in the firms they target (Dalton et al., 2003; Ryan & Schneider, 2002). In fact, there is evidence that pension funds have pressed organizations to initiate board changes in response to poor organizational performance (Daily & Dalton; 1995; Davis & Thompson, 1994).

The reforms sought by these constituencies are quite uniform in nature. They seek the implementation of good/sound governance structures – those structures which supposedly minimizes agency costs (Brown, 2003; Byrne, 2000; Langley, 2003). It is important to note that such pressures to reform the governance structure of the firm may not be driven by solid evidence that the governance structure was actually inappropriate, since precise causes of poor performance are often difficult to identify (Cyert & March, 1963). However, it is widely suggested that poor performance does stimulate such changes within organizations (Davis, Diekmann & Tinsley, 1994) even when performance deficits cannot be attributed unambiguously to efficiency problems that the proposed changes seek to rectify.

A synthesis of the governance-performance relationship was investigated via a meta-analysis by Dalton et al. (2003) investigated the impact of equity holdings by various groups (i.e., CEO, top managers, and directors) on financial performance (i.e., Tobin's Q, ROA, ROE, ROI, EPS, shareholder returns, Jensen's Alpha, and P/E ratio). The authors identified 229 empirical studies (1968-2001) that investigated the equity-performance relationship. The results revealed that, with the exception of officer and director equity and EPS, none of the correlations between measures of insider equity and performance exceed .02.

The meta-analyses above reveal that the linkages between governance and firm performance are *non-existent despite the fact that shareholder activists firmly believe that the aforementioned governance structures have a clear and consistent impact on performance*.

THEORY AND HYPOTHESIS

Pressures for Greater CEO Equity Ownership

Institutional theory suggests that organizational legitimacy is paramount for firm performance and survival (Certo, 2003; DiMaggio & Powell, 1983; Heugens & Lander, 2009). To gain legitimacy, organizations respond to institutional pressures stemming from such sources as suppliers of capital, consumers, owners, boards of directors, and regulatory agencies by adopting similar organizational forms (DiMaggio & Powell, 1983; Luoma & Goodstein, 1999). Better known as isomorphism (DiMaggio & Powell, 1983; Meyer & Rowan, 1977), this process forces an organization to resemble other organizations that are confronted with the same set of environmental issues (DiMaggio & Powell, 1983).

Additionally, the literature suggests that isomorphism does impact organizational structures and practices (Meyer & Rowan, 1977; Tolbert & Zucker, 1996). The adoption of these prevailing practices and procedures results in increases in organizational legitimacy, which helps organizations acquire more resources and lessen the probability of failure (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Oliver, 1991; Pfeffer & Salancik, 1978).

It is suggested that governance structures face these same pressures from their external environment. The pressures are greatest when performance is sub-optimal since the literature claims that sub-optimal governance is linked with deteriorations in firm performance. As such, firms suffering from poor performance will not only face these pressures, but will have to make changes to their governance structures in order to conform to these pressures. Given the need to positively influence these sources of power, firms may adopt organizational structures to signal legitimacy, because "organizations that incorporate societally legitimated rationalized elements in their formal structures maximize their legitimacy and increase their resources and survival capabilities" (Meyer & Rowan, 1977: 352). The desired result is an improved perception of the firm's image and renewed confidence in the organization's future (Daily & Dalton, 1995).

Based on the fact that a common research proxy for a board's governing effectiveness is firm financial performance (Chatterjee & Harrison, 2001), and revolutionary, yet not universally accepted, statements in the portfolio restructuring literature such as "If perfect governance is achieved, no performance problems should exist" (Johnson et al., 1993: 34), pressures for, and adoptions of, governance reforms should be greatest when shareholders' interests are viewed as having been neglected (Westphal & Zajac, 1994). As such, it is believed that this has direct implications for firms engaged in portfolio restructuring, specifically those organizations that are experiencing substandard performance because poor performance threatens the credibility of board members as guardians of shareholder interests (Fama & Jensen, 1983). In order to alleviate this negative attribution, boards must at least "give the appearance of efficacy" (Salancik & Meindl, 1984: 238) by symbolically affirming and tightening their control over management (Pfeffer, 1981; Westphal & Zajac, 1994).

It is an institutionalized belief in the academic literature and popular press that managers who hold ownership positions in the firms they serve are more likely to act in the shareholders' interests given their shared financial interests (Bryan, Hwang & Lilien, 2000; Coles, Sen & McWilliams, 2001; Dalton et al., 2003). Thus, ownership positions cause executives' wealth to vary directly with firm performance. An example what constitutes good governance can be found in BusinessWeek's annual review of "The Best and Worst Boards." In their effort to define sound governance, the publication's researchers survey the "nation's largest pension funds and money managers, as well as authorities on directors and boards," in order to identify the least and most effective boards (Byrne, 2000). One of the main attributes of an effective board is that "directors ought to hold serious stakes in the company." The survey gave a particularly positive assessment of the board of General Electric by noting that outside directors each own an average of $6.6 million of General Electric stock, which they argued clearly aligns the interests of outside directors with shareholders.

Despite such evidence, a culmination of equity ownership-firm performance research has failed to establish a consistent, direct relationship between equity ownership and firm performance (Dalton et al., 2003). Yet, I still predict that in times of poor performance, which is frequently accompanied by uncertainty within the organization, external constituencies will press the CEO to hold greater equity in his/her organization because of the institutionalized belief that equity ownership is an effective alignment mechanism. It is believed that such pressures for corrections to the governance structure will make CEOs more responsive to the shareholders. As such, the following hypothesis is offered.

Hypothesis: Portfolio restructuring firms will adopt socially legitimated, non-performance enhancing, governance structures in the post-restructuring period. As such, portfolio restructuring firms will exhibit a decrease in CEO duality in the post-restructuring period.

METHODS

Sample

This paper argues that governance changes are most prevalent in restructuring firms and experienced sub-optimal performance in the pre-restructuring period – an interaction effect between restructuring and performance. In other words, low performance that leads to changes in governance, and the magnitude or probability of these changes is amplified for those firms that have restructured their portfolio of assets. As such, it is important to sample two types of firms – ones that did and ones that did not engage in asset restructuring.

The sample of restructuring firms was collected from the *SDC Platinum Database* published by *Thomson Financial*. The data contained in this database is drawn from SEC filings. The search was limited to U.S. firms that had $1 billion or more in annual revenues. Data was accessed from 1989 through 2004. Incorporating firms that have and have not restructured their portfolio of assets and sampling across 15 years allows for greater confidence in any causal relationships since it increases the external validity of my conclusions and inferences. External validity is also enhanced since the sample of firms is a cross-industry sample.

In order to qualify as having restructured, a firm must have divested at least 10% of its assets, which represents significant strategic change by an organization. This criterion has been used in previous restructuring research (e.g., Hoskisson & Johnson, 1992; Johnson et al., 1993; Markides, 1992; Simmonds, 1990) and is accepted as a valid indicator of restructuring activity.

A total of 100 randomly sampled restructuring firms were included. Each restructuring event in the database was compared against the actual SEC filings for each firm for that particular year in order to confirm the 10% rule. Specifically, the asset data was located in the firm's 'notes to the consolidated financial statements' contained within the annual report to shareholders. The average firm in my sample of restructuring firms divested 19.84% of its assets for an average dollar value of $1.63 billion. The minimum and maximum divested percentages for my sample were 10% and 46.7%, respectively. The minimum and maximum divested dollar amounts were $508 million and $4.57 billion, respectively.

The restructuring sample needed to be matched with a non-restructuring firm sample. From the same database, a randomly selected a sample of non-restructuring firms and matched them up with randomly selected years within the same time frame as the restructuring firms. A firm qualified as a non-restructuring firm if it had not engaged in any restructuring activity within a six-year period (i.e., three years before and three years after). A total of 110 non-restructuring firms were selected, however one firm was acquired in the following year, thus reducing the non-restructuring sample to 109 firms. The non-restructuring sample was statistically not different from the restructuring sample based on assets, revenues, and capital structures. The total sample size was 209 firms (100 restructurers and 109 non-restructurers).

Variables

Dependent variable. The dependent variable for the hypothesis was *CEO equity ownership.* CEO equity ownership was measured as the sum of the equity holdings by the CEO divided by the total common shares outstanding. Data was drawn from SEC filings (annual reports and proxy statements). Data for all other variables in this paper were drawn from *CompuStat*, *Moody's Manuals*, and SEC filings.

Independent and moderating variables. The hypotheses suggest that low performance leads to changes in governance. Additionally, the magnitude or amount of changes in governance structures should be greater for those firms that have restructured their portfolio of assets. This implies that there is an interaction effect between these two variables.

Organizational performance was measured as a *change in return on assets (ROA)*. This measure is appropriate for this study identifies restructuring firms as those who alter their assets, and increases and decreases in this measure is indicative of the quality of investment decisions. ROA is considered a fairly robust measure of performance, as compared to return on equity, because ROA is a measure of return on total (debt and equity) investment. Specifically, this paper incorporated a change score for ROA.

It is important to discuss the issue of time (i.e., the temporal dimension) in the measurement of each of the variables. The performance variable (i.e., ROA) was measured on a one-year time lag. In other words, if restructuring is in year t, the change in ROA will be measured from year t_{-2} to year t_{-1}. I used a one year time lag since research has clearly demonstrated that firms engaged in restructuring often are performing poorly just prior to the initiation of restructuring activities (Bergh, 2001; Bowman et al., 1999; Hoskisson & Hitt, 1994; Hoskisson et al., 1994; Johnson, 1996; Markides & Singh, 1997; Smart & Hitt, 1994).

Restructuring was operationalized using a dichotomous variable. This was done because the object of the paper was to assess if differences exist between restructuring and non-restructuring firms in the post-restructuring period. This is the first study that addresses this issue, thus a more broad-based approach is warranted. As such, *restructuring* firms were coded as 1, and non-restructuring firms were coded as 0.

To come closer to inferring causality, the dependent variable was measured one year (t_1) and two years (t_2) following a restructuring. It is not appropriate to measure governance and restructuring cross-sectionally for two reasons. First, this paper is predicting that portfolio restructuring will lead to subsequent changes in governance. Second, the nature of governance mechanisms, limit the ability of the firm to immediately institute governance changes (Westphal & Zajac, 1998). Thus, if a restructuring took place in 1999, the dependent variable was measured in 2000 and 2001. It is important to note that a longitudinal study is crucial in order to ascertain the direction of causality and, thus, increase internal validity.

Control variables. To account for third-variable alternative interpretations of the relationships between the independent and dependent variables, the following control variables were employed. One must control for the *other governance variables* to counter any substitution effects that take place between governance mechanisms. For example, governance reform activists believe that an increased equity ownership would be required when a CEO does simultaneously serves as the CEO and the chairperson of the board versus a CEO with non-duality status (e.g., Fama & Jensen, 1983). In essence, the substitution effect of governance states that the desired level of one governance mechanism is to be contingent on the magnitude of other governance mechanisms. As such, when testing CEO equity ownership, this study controlled for the *proportion of outsiders on the board*, *CEO duality*, *board equity ownership*, and the *number of board interlocks*.

Controlling for *CEO tenure* is imperative since a number of studies have hypothesized a link between tenure and CEO influence over the board and initiatives directly impacting the CEO (Finkelstein & Hambrick, 1996). For example, it is typically argued that as tenure increases, CEOs acquire personal power by populating boards with supporters (Finkelstein & Hambrick, 1996) while gaining expert power through an increased familiarity with the firm's resources (Young et al., 2000; Zald, 1969).

Ownership concentration was included as a control variable because concentrated ownership increases the ability and incentive to monitor investments and their subsequent ability to institute changes in the organization (Bethel & Liebeskind, 1993; Ryan & Schneider, 2002). Ownership concentration was operationalized as the number of common shares outstanding divided by the total number of shareholders.

Pressures for greater accountability in governance have not been uniform throughout time. As such, dummy variables to control for *period effects* were incorporated into the analyses. Since the data for this study starts at 1989 and continues through 2004, the 1989-1992 period was coded as 1 to account for the stricter regulations placed upon shareholders by the SEC in regards to communications between large shareholders, as well as more insider-trading rules. The 1993-2004 period was coded as 0 to account for the less strict regulations and increased activism by shareholders as a result of fewer legal rules governing large shareholders.

RESULTS

Table 1 presents the means, standard deviations, and correlations. It is important to note that the means reported in Table 1 are for the combined sample of restructuring and non-restructuring firms. As such, it is difficult to draw conclusions based on the combined sample, thus t-tests were conducted to investigate the differences in means of the two samples.

It was not surprising to find that the two groups differed significantly with regard to performance. Restructuring firms had an average ROA in the year preceding a restructuring that was 53% less than non-restructuring firms in the same period. However, ROA for restructuring firms greatly improved by approximately 273% in the year following a restructuring, yet ROA for the non-restructuring sample improved by a little more than 3%.

Tables 2 and 3 show the results of the regression analyses that attempted to understand CEO equity ownership in the post-restructuring period. Specifically, Table 2 assesses CEO equity ownership in the year following restructuring (i.e., t_1) and Table 3 assesses CEO equity ownership in the second year following a restructuring (i.e., t_2). Both Models 1 in Tables 2 and 3 reveal that the ownership concentration is positively related to CEO equity ownership in years t_1 and t_2. As ownership becomes more concentrated (i.e., fewer owners own more shares), CEOs hold greater number of shares in the firms they lead. This finding is supports the general consensus that powerful owners have the ability to force CEOs to somewhat align their personal wealth with the success of their organizations. As with other governance mechanisms, greater CEO equity ownership is seen as good governance. Furthermore, the results of Model 1 suggest that CEO duality is negatively related to CEO equity ownership in t_1 and BOD equity ownership is positively related to CEO equity ownership in t_2.

Models 2 of Tables 2 and 3 indicate that restructuring is positively related to CEO equity ownership in years t_1 ($p < .05$) and t_2 ($p < .01$), which suggests that restructuring drives CEOs to adopt greater equity positions in their firms. Unlike restructuring, the change in performance was positively related to CEO equity ownership in year t_2 ($p < .10$), which runs counter to the philosophy that poor performance creates pressures to institute tighter and better governance. In other words, I would have expected to see increases in CEO equity ownership in times of negative changes in performance because the slide in performance would create pressures for organizations to make socially legitimated changes to their governance structures. Models 2 for

CEO equity ownership in years t_1 and t_2 were both significant (R^2 = .21, p = .04, and R^2 = .21, p = .01, respectively).

Table 1: Means, Standard Deviations, and Correlations of Variables

	Variable	Mean	S.D.	1	2	3	4	5	6	7	8	9
1.	CEO equity t_1	1.95	5.80	-								
2.	CEO equity t_2	1.67	4.26	.88**	-							
3.	TMT equity t_1	2.62	4.98	.87**	.78**	-						
4.	TMT equity t_2	2.96	5.88	.86**	.82**	.96**	-					
5.	BOD equity t_1	6.82	38.90	.10	.07	.12	.15*	-				
6.	BOD equity t_2	5.26	24.28	.36**	.33**	.44**	.40**	.41**	-			
7.	CEO duality t_1	.88	.33	-.26**	-.08	-.22**	-.21**	.02	.02	-		
8.	CEO duality t_2	.87	.34	-.26**	-.11	-.24**	-.21**	.03	.03	.75**	-	
9.	Outside proportion t_1	.76	.12	-.11	-.07	-.25**	-.23**	-.02	-.12	.27**	.21**	-
10.	Outside proportion t_2	.77	.12	-.07	-.09	-.20**	-.20**	.04	-.13	.26**	.23**	.84**
11.	Board ties t_1	41.24	24.83	-.01	.04	-.08	-.05	.06	.00	.19**	.16*	.24**
12.	Board ties t_2	41.62	24.77	-.02	.05	-.06	-.03	.10	.08	.17*	.12	.23**
13.	CEO tenure t_1	84.91	81.07	-.03	.02	.02	.01	.01	.09	.21**	.17*	-.16*
14.	CEO tenure t_2	97.12	163.37	-.02	.01	.02	.01	.01	.05	.11	.13	-.21**
15.	Restructuring	.48	.50	.20**	.18*	.22**	.22**	.13	.01	-.10	-.05	.24**
16.	Period effect	.41	.49	-.13	-.11	-.15*	-.15*	.01	-.05	-.01	.04	-.23**
17.	ROA change	-.22	7.68	-.01	.12	.14	.17*	-.01	.01	-.12	-.06	-.15*
18.	Owner concentration t_1	12.72	24.68	.33**	.21**	.34**	.33**	.07	.06	-.09	-.06	-.24**
19.	Owner concentration t_2	13.26	25.73	.32**	.22**	.33**	.35**	.07	.07	-.10	-.07	-.23**

N = 209 for V7 – V17. N = 205 for V18 & V19. N = 198 for V1 and V5. N = 196 for V2, and V6. N = 187 for V3. N = 185 for V4.
** p < .01; * p < .05. Means and standard deviations for V1 – V6 are in millions.

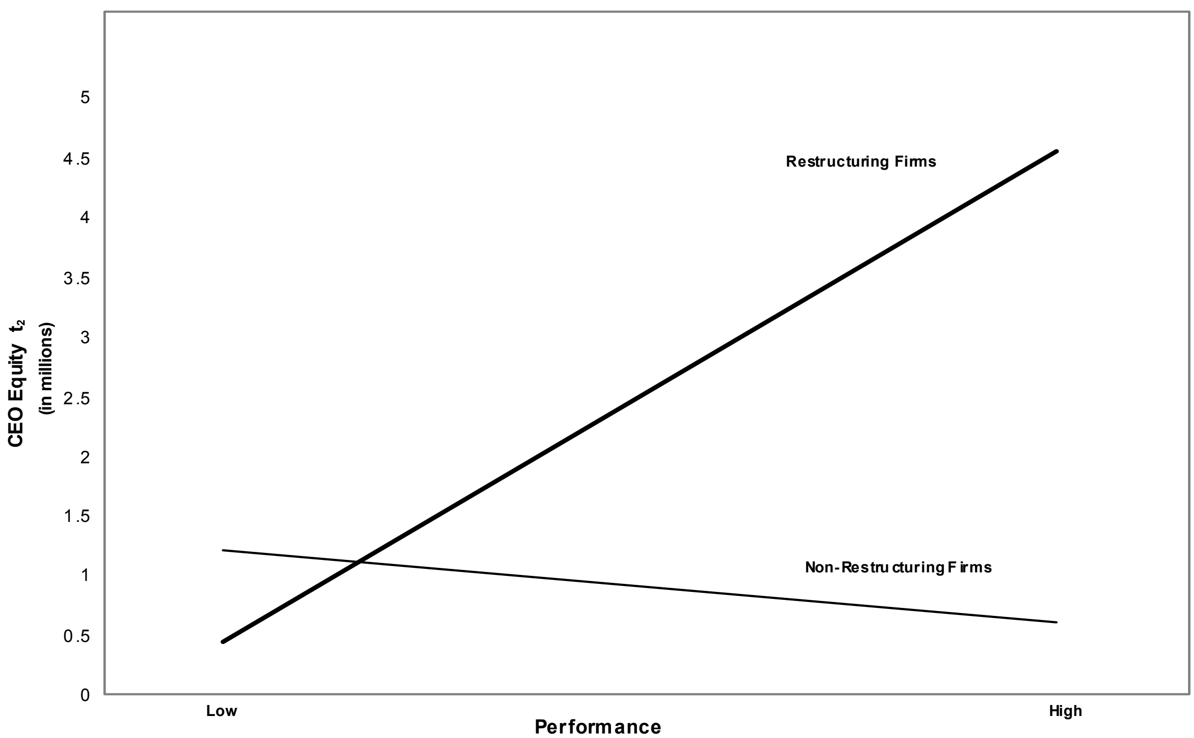
Table 1 (continued)

	Variable	10	11	12	13	14	15	16	17	18	19
1.	CEO equity t_1										
2.	CEO equity t_2										
3.	TMT equity t_1										
4.	TMT equity t_2										
5.	BOD equity t_1										
6.	BOD equity t_2										
7.	CEO duality t_1										
8.	CEO duality t_2										
9.	Outside proportion t_1										
10.	Outside proportion t_2	-									
11.	Board ties t_1	.21**	-								
12.	Board ties t_2	.20**	.96**	-							
13.	CEO tenure t_1	-.24**	-.16*	-.18**	-						
14.	CEO tenure t_2	-.25**	-.14*	-.14*	.56**	-					
15.	Restructuring	.27**	.09	.07	-.26**	-.16*	-				
16.	Time effect	-.28**	-.01	-.02	.13	.02	-.26**	-			
17.	ROA change	-.22**	.02	.01	.01	.05	-.05	-.08	-		
18.	Owner concentration t_1	-.13	-.17*	-.14*	.06	.03	-.03	-.21**	-.03	-	
19.	Owner concentration t_2	-.12	-.16	-.14*	.06	.02	-.03	-.21**	-.04	1.00**	-

Model 3 did not produce any significantly better results for CEO equity ownership in year t_1. The addition of the interaction between restructuring and performance (Model 3) did not produce any significant results. Models (R^2 = .21, p = .75). Model 3 for CEO equity ownership in year t_2 did produce an interesting finding when the interaction between restructuring and performance was entered into the model. The addition of this term eliminated the positive relationship between performance and CEO equity ownership in year t_2. However, as revealed in Model 3 of Table 3, the interaction between restructuring and performance is significant and positive ($p < .05$), in addition to significance of the entire model ($R^2 = .22$, $p = .04$).

The plotting of the interaction effect is shown in Figure 1. The methodology for plotting the regression equations (one for restructuring firms and one for non-restructuring firms; Z = 0 and 1) was taken from Aiken and West (1991). The anchoring values used to plot the slopes of the lines needed to be meaningful; as such, I chose two standard deviations below the mean and two standard deviations above the mean. As evidenced in Figure 1, restructuring firms experiencing poor performance in the pre-restructuring period had CEOs who held *less* equity in organizations they managed versus those restructuring firms experiencing above average performance in the pre-restructuring period. This finding contradicts the arguments set forth in this paper. However, there is a substantial difference in equity holdings when comparing restructuring firms versus non-restructuring firms. The overall conclusion drawn from Figure 1 is that compared to the CEOs of non-restructuring firms, the CEOs of restructuring firms hold greater amounts of equity in their organizations. Moreover, this difference becomes more noticeable with better (not worse) performance in the pre-restructuring period.

Figure 1: Interactive Effect of Change in Performance and Restructuring on CEO Equity Ownership (Year t_2)



Significant improvements in model fit for were made when a quadratic equation was entered into the regression model for years t_1 and t_2. As evidenced in Table 2, a curvilinear relationship was uncovered when the *(performance)^2 X restructuring* variable was entered into the model for years t_1 ($p < .05$) and t_2 ($p < .10$). The positive coefficient suggests that the relationship is an U-shaped relationship, which means that CEO equity ownership in the first and second years following a restructuring is contingent upon the change in ROA in the pre-restructuring period. Specifically, restructuring firms who experienced either significant declines or significant gains in ROA the year before a restructuring tended to have higher levels of CEO equity ownership, whereas firms whose change in ROA could have been characterized as moderate, tended to have lower levels of CEO equity ownership. Models 4 for years t_1 and t_2 were significant (R2 = .236, p =.04 and R2 = .254, p = .029, respectively). In summation, the relationship between performance, restructuring, and CEO equity ownership appeared to be more intricate than was predicted by the hypothesis because the hypothesis found support only at the extremes of performance (low and high).

Table 2: Results of Regression Analysis Predicting CEO Equity Ownership in Year t_1

	Dependent Variable: CEO EQUITY OWNERSHIP (t_1)							
Variables	**Model 1**		**Model 2**		**Model 3**		**Model 4**	
	β	**t**	**β**	**t**	**β**	**t**	**β**	**t**
Period Effect	-0.071	-1.033	-0.028	-0.391	-0.029	-0.409	-0.032	-0.454
Ownership Concentration t_1	0.293	4.201**	0.307	4.428**	0.304	4.340**	0.315	4.528**
BOD Equity t_1	0.078	1.166	0.053	0.793	0.054	0.799	0.059	0.885
CEO Duality t_1	-0.262	-3.732**	-0.249	-3.537**	-0.250	-3.540**	-0.234	-3.290**
CEO Tenure t_1	0.028	.0401	0.064	0.908	0.066	0.929	0.066	0.938
Outsider Proportion t_1	-0.002	-0.020	-0.040	-0.519	-0.039	-0.497	-0.013	-0.170
BOD Ties t_1	0.086	1.228	0.079	1.132	0.078	1.113	0.087	1.257
Performance			-0.014	-0.211	-0.039	-0.378	0.028	0.172
Restructure			0.180	2.508*	0.180	2.508*	0.138	1.879†
Performance x Restructure					0.032	0.317	-0.065	-0.456
(Performance)^2							-0.064	-0.483
(Performance)^2 x Restructure							0.212	2.078*
R^2		.179		.208		.208		.236
Adjusted R^2		.153		.173		.169		.189
Change in R^2				.028		.000		.028
Significance of R^2 Change				.041		.751		.040

N = 192. † $p < .10$, * $p < .05$, and ** $p < .01$

Table 3: Results of Regression Analysis Predicting CEO Equity Ownership in Year t_2								
	Dependent Variable: CEO EQUITY OWNERSHIP (t_2)							
Variables	Model 1		Model 2		Model 3		Model 4	
	β	t	β	t	β	t	β	t
Period Effect	-0.062	-0.827	0.000	0.002	-0.006	-0.076	0.000	-0.005
Ownership Concentration t_2	0.174	2.429*	0.195	2.768**	0.179	2.541*	0.191	2.736**
BOD Equity t_2	0.308	4.435**	0.307	4.511**	0.307	4.550**	0.313	4.709**
CEO Duality t_2	-0.108	-1.499	-0.094	-1.327	-0.096	-1.367	-0.080	-1.123
CEO Tenure t_2	0.001	0.011	0.020	0.283	0.033	0.462	0.039	0.548
Outsider Proportion t_2	-0.032	-0.405	-0.036	-0.438	-0.032	-0.395	-0.003	-0.039
BOD Ties t_2	0.070	0.984	0.062	0.884	0.052	0.751	0.058	0.850
Performance			0.117	1.674†	-0.040	-0.386	-0.027	-0.159
Restructure			0.195	2.736**	0.198	2.797**	0.152	2.096*
Performance x Restructure					0.207	2.030*	0.151	1.050
$(\text{Performance})^2$							-0.005	-0.035
$(\text{Performance})^2$ x Restructure							0.192	1.858†
R^2		.161		.206		.224		.254
Adjusted R^2		.129		.166		.180		.203
Change in R^2				.045		.018		.031
Significance of R^2 Change				.008		.044		.029
N = 189. † $p < .10$, * $p < .05$, and ** $p < .01$								

CONCLUSION

Overall, the results generally support the notion that restructuring firms do institute governance changes in the post-restructuring period. This overarching finding leads one to believe that there is a general consensus in corporate America that governance modifications, along with the restructuring itself, are necessary in order to improve organizational performance. Why would powerful owners or institutional investors push for modifications to governance structures and/or firms volunteer to institute governance changes if there were not socially constructed beliefs that governance truly does matter and that these particular changes are means of improving organizational performance?

CEO equity ownership did have a direct relationship with restructuring. It would seem reasonable to see this relationship given the fact that executives with financial capital tied up in their firms are more willing to diverge from the best interests of shareholders (Dalton et al., 2007). Additionally, it is not surprising that CEO equity ownership was impacted because this governance structure is often targeted for change by institutional investors, as well as being easily changed compared to the other governance structures like CEO duality (Dalton et al., 2003; Johnson et al., 1996). It is important to note that all of these relationships reflect a move towards sound or better governance. It is not surprising to see that restructuring has an impact on

CEO equity ownership irrespective of performance in the pre-restructuring period. This conclusion is reached given the fact that a restructuring event is significant enough to trigger institutional activism as a result of the significance of a restructuring event and its perceived relationship with failed governance and managerial oversight.

Even though these modifications to governance structures are instituted, what remains uncertain relates to *how* these changes came about. In other words, do organizations make changes as a result of powerful actors forcing these changes upon them, or are these changes instituted as a proactive measure in order to appease powerful actors in the external environment (Oliver, 1991)? In fact, these changes might constitute a compromise between the organization and multiple constituent demands (Oliver, 1991), since powerful actors might have the different agendas (Hoskisson et al., 2002). Although beyond the scope of this paper, these issues are important to address in order to attain a greater understanding of governance in the post-restructuring period.

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2012 MISSION STATEMENTS: A TEN COUNTRY GLOBAL ANALYSIS

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ABSTRACT

Mission statements are a vitally important communication from the firm to all of its stakeholders. Missions provide the reason why the firm is in existence. This paper is a continuation of the mission statement research that the authors have conducted over the last eleven years. This study is the most comprehensive conducted by the authors to date. Mission statements from large U.S. firms are compared and contrasted to those of nine other countries. These include both English speaking countries as well as non-English speaking. The nine other countries include Canada, United Kingdom, France, Germany, Australia, Japan, China, Brazil, and India. This broad study has allowed the authors to compare "reasons for existence" published by firms from around the world.

The authors reviewed the mission statements of these ten countries from two aspects. First, the stakeholders identified by the firm were analyzed. The stakeholders included customers, employees, stockholders, and others. Second, the authors summarized the goals and objectives of the firm that were discussed in the mission statement. These include ethical operations, concern for the environment, desire to produce a quality product that provided value to the customers, need to conduct global operations, desire to be a leader in the industry, and many others. Significant differences by country were identified in both the stakeholders identified and the reported goals and objectives. Trends were also identified in U.S. mission statements since the authors' first study conducted in 2001.

This paper includes summary information from the authors' studies in 2001, 2008, 2010, and 2011. The 2012 study is the most comprehensive with the largest 25 firms from the ten countries reviewed. These 250 mission statements provide insight into what the world's largest firms consider their "purpose for existence." A summary of the mission statement similarities and differences by country are presented in the final portion of this paper.

INTRODUCTION

For many years, the mission statement has been the primary organizational communication tool used to describe the firm to its stakeholders. According to Peter Drucker, often called the "father of management," a mission statement is the "foundation for priorities, strategies, plans, and work assignments" (Drucker, 1974). According to Drucker, it is the mission statement that distinguishes one organization from another. The mission statement provides the firm's "reason for being." Drucker also emphasizes that a mission statement is essential to the formation of the company's objectives and strategies.

The Leader to Leader Institute, established by Peter Drucker, has much to say about an effective mission statement. Drucker stressed that the mission statement should communicate the core of the organization with a precise statement of purpose. He suggested that it should be about three sentences long and touch on four topics including who we are, what we do, what we stand for, and why we do it. This is a lot to cover in a short three sentence statement. Drucker also felt that the mission statement should address distinct stakeholder groups including owner/investors, customers, and employees/society. The authors have discovered that many large corporations do not include these important stakeholders in their current mission statements.

Mission statements should include all of the central characteristics of the company including the firm's purpose, unique qualities, values, critical stakeholders, and basic goals/objectives. Mission statements have been called by a number of various titles including creed statements, statements of philosophy, statements of belief, and statements of business purposes (David, 2005). Fred David stresses that these statements should reveal both what a firm wants to be as well as whom it wants to serve. Therefore, a good mission statement should specifically mention important stakeholders such as customers and employees.

David also states that the firm's "reason for being" should be clearly stated in a firm's mission statement (David, 2009). He argues that a well written mission statement should provide important information such as the products and services offered by the firm and the primary target markets served. David believes that a mission statement "identifies the scope of the firm's operations in product and market terms" (Pierce & David, 1989).

Robbins and Coulter emphasize that firm goals must reflect the mission statement. (Robbins & Coulter, 2012). They further state that the mission is a broad statement of the organization's purpose providing a guide to all members of the organization. Many other authors emphasize the importance of a well written mission statement. For example, Annie McKee feels that without a well defined and developed mission statement, the firm loses its focus (McKee, 2012). McKee believes the mission statement must describe what the company stands for, what it does, who it considers important. She also believes that missions aid managers in decision making and integrating short and long term goals and objectives.

Jeffery Abrahams reviewed over 300 mission statements from the largest U.S. firms. He found that these pronouncements reflected the firm's values and priorities as well as providing a statement of purpose (Abrahams, 1999). Samuel and S. Trevis Certo argue that the creation of a mission statement is a critical part of the strategic management process (S. & S.T. Certo, 2012). The strategic management process requires a thoughtfully written mission statement to provide some organizational direction for its managers. This belief is shared by Hitt, Black, and Porter (M.A. Hitt, J.S. Black & L.W. Porter, 2012). They feel that a mission statement must articulate the primary purpose of the organization. Other authors discuss the possible components of this primary purpose which may include basic company philosophy, primary products or services, customers served, obligations to stockholders and employees, and concern for the environment. (C. Rarick and J. Vitton, 1995).

Schermerhorn, et. al., believe that good mission statements state whom the firm will serve and what purpose they are serving in society (Schermerhorn, et.al.). Currently many firms are clearly stating in their mission statement their goals of positively affecting society and preserving the environment. Wheelen and Hunger stress that a well designed mission statement defines the firm's "fundamental, unique purpose" that sets the firm apart from other similar companies (T. Wheelen and J. Hunger, 2010).

Finally, Thompson, et.al., state that a mission statement must describe the firm's "current business and purpose" (Thompson, et.al., 2012). These authors emphasize that an effective mission statement should accomplish a number of things including identifying the firm's products or services, specify customer groups or markets served, and giving the company its own identity. They believe the latter goal of creating the firm's unique identity is especially important. To accomplish all of these goals in a concise statement, the firm's management must carefully construct the mission statement and update it when appropriate.

The authors agree that a mission statement is a critically important communication that organizations must create and communicate to all stakeholders. This short declaration must identify important stakeholders as well as describe the firm's identified goals and objectives. This paper reviews the last four studies completed by the authors and describes the latest review of 2012 mission statements of the 25 largest firms in the U.S. and nine other countries. Similarities and differences will be summarized at the end of this paper. In addition, trends in U.S. mission statements from 2001 to 2012 are also reviewed.

PREVIOUS MISSION STATEMENT RESEARCH

The authors began their mission statement research eleven years ago. Four of the authors' mission statement articles have been published in the *Academy of Managerial Communications Journal* (King, 2001) and the *Academy of Strategic Management Journal* (King, Case & Premo, 2010), (King, Case & Premo, 2011) and (King, Case & Premo, 2012). These studies have expanded in size in an effort to compare and contrast U.S. mission statements with those of foreign countries. A brief review of each study is presented in the following paragraphs.

The authors' 2001 study involved the Fortune 100 firms in the United States for that year. Table 1 summarizes the results of that study. The 100 largest U.S. company mission statements were reviewed for content with emphasis in two areas. First, the identified stakeholders were summarized including employees, customers, and stockholders. Second, the goals/objectives of the firm that were identified in the mission statements were summarized. Providing a quality product or service that provided value to customers was a typical example of these goals. Table 1 is a summary of the 2001 mission statements.

Table 1: 2001 FORTUNE 100 - MISSION STATEMENTS THAT INCLUDED			
Stakeholders	**Percent**	**Goal/Objective**	**Percent**
Customers	61	Quality	25
Stockholders	34	Core Values	25
Employees	21	Leadership	17
Competitors	9	Global	15
Suppliers	6	Technology	14
Governments	2	Environmental	9
Communities	6	Profits	6
		Ethics	3

The left column of Table 1 is a summary of the identified stakeholders. As one might expect, the most often mention stakeholders were customers and stockholders (61% and 34% respectively). The third most often mentioned stakeholder group was employees (21%). The right side of the table is a listing of the most common goals or objectives of the firm. The goal of producing a quality product or service and following established core values were most common. Striving for a leadership position in the industry (17%) and the desire to conduct global operations (15%) were the next most listed goals of the organization. Notice that the goal of maintaining ethical operations was absent from the list. This may be, at least partly, the result of the Sarbanes-Oxley Act not becoming law until 2002.

The authors' next mission statement project was in 2008 when the Fortune top 50 U.S. corporations were studied. Table 2 shows the total number of organizations that included the listed stakeholders and goals/objectives in their mission statement in 2008.

Table 2: 2008 FORTUNE TOP 50 - MISSION STATEMENTS THAT INCLUDED			
Stakeholders	**Percent**	**Goal/Objective**	**Percent**
Customers	31	Quality	26
Employees	17	Global	17
Communities	15	Ethics	15
Stockholders	14	Environmental	8
Core Values	7	Leadership	7
Suppliers	5	Profits	6
Government/Laws	2	Technology	1

In 2008, the most commonly identified stakeholders were customers and employees. On the goals/objectives side, the most frequently recognized items were the desire to produce a quality product and the attempt to conduct global operations. Following closely behind was the goal of conducting ethical operations that was reported by 15 of the top 50 firms.

In order to better review the results of these two studies, Table 3 (below) converts the information from raw numbers (used in Tables 1 & 2) to percentages for easier comparisons. These percentages show that the use of the term "communities" increased five-fold from 2001 to

2008. Firms were beginning to recognize the importance of the communities in which they operated. Customers continued to be the most commonly included stakeholder (61%/62%). The large corporations continued to emphasize the marketing concept where the satisfaction of customer needs and wants is a prerequisite to successful operations. An increased emphasis on employees is also apparent increasing from 21% to 34%. These organizations obviously realized the importance of their human resources.

Table 3 also shows a number of changes affecting the stated goals and objectives of the firms. The number of firms stressing the importance of ethics and the maintenance of ethical behavior increased ten times during this period (3% to 30%). This may be partly the result of the passage of the Sarbanes-Oxley Act in 2002. The percentage of firms emphasizing the significance of producing a quality product increased from 25% to 52%. The reported goal of conducting global operations also increased significantly from 15% to 34%.

Table 3: Percentages of U.S. Mission Statements Containing the Following Words

Stakeholders	**2001 Study**	**2008 Study**
Communities	6%	30%
Competitors	9%	0%
Customers	61%	62%
Employees	21%	34%
Govt./Law	2%	4%
Stockholders	34%	28%
Suppliers	6%	10%
Goal/Objective		
Core Values	25%	14%
Environmental	9%	16%
Ethics	3%	30%
Global	15%	34%
Leadership	17%	14%
Profits	6%	12%
Quality/Value	25%	52%
Technology	14%	2%

The authors also reviewed the mission statements of the 25 largest firms in the U.S. in 2010 and 2011. The 2010 study included a comparison with the largest corporations in Australia, Canada, and Great Britain (King, D.L., Case C.J. & Premo, K.M., (2010). The authors compared the mission statements of these four English speaking countries in an effort to discover similarities and differences. The 2011 study summarized the 2011 missions of the biggest 25 firms in the United States with those of the largest firms in France, Germany, Japan, and China (King, D.L., Case C.J. & Premo, K.M., (2011). This paper summarizes the latest study by the authors of 2012 mission statements. The last column in Table 4 summarizes the results from a review of the most current mission statements.

Table 4: Percentages of U.S. Mission Statements Containing the Following Words					
Stakeholders	**2001 Study**	**2008 Study**	**2010 Study**	**2011 Study**	**2012 Study**
Communities	6%	30%	40%	28%	28%
Competitors	9%	0%	0%	0%	0%
Customers	61%	62%	68%	64%	68%
Employees	21%	34%	24%	16%	16%
Govt./Law	2%	4%	8%	0%	0%
Stockholders	34%	28%	28%	24%	20%
Suppliers	6%	10%	12%	8%	12%
Goal/Objective					
Core Values	25%	14%	8%	8%	8%
Environmental	9%	16%	8%	4%	8%
Ethics	3%	30%	28%	28%	28%
Global	15%	34%	32%	28%	24%
Leadership	17%	14%	20%	20%	32%
Profits	6%	12%	16%	16%	16%
Quality/Value	25%	52%	56%	44%	32%
Technology	14%	2%	0%	0%	0%

Table 4 shows that the most commonly included stakeholders over this eleven year period include customers, communities, stockholders, and employees. Customers, not surprisingly, are mentioned in the mission statements far more than any other stakeholder (over 60% in each year). Community is still a commonly included stakeholder; however, it has dropped from its 2010 level of 40% to 28% in 2011 and 2012. Employees are mentioned less often in recent years dropping from a high of 34% in 2008 to 16% in 2011 and 2012. Stockholders/shareholders are also included less frequently slipping from the high of 34% in 2001 to 20% in 2012. Competitors and government were not mentioned in the 2012 missions. Suppliers were mentioned in 12% of the 2012 missions compared to only 6% in 2001.

A review of the goals and objectives mentioned in these statements shows that the most commonly included are the desire to produce a quality product or service that represents a good value to customers, a concern for ethics and ethical operations, an emphasis on global operations, and the desire to be an industry leader. The importance of providing a quality product to customers reflects the firms' attempt to follow the "marketing concept" which basically states that organizations must satisfy customer needs and wants in order to survive. This need to provide a quality product; however, has decreased from a high of 56% in 2010 to the current 32% in 2012. Ethical behavior has been emphasized in recent years remaining at 28% of firms over the last three years. The firms' desire to be a leader in the industry took a big jump in 2012 increasing to 32% of firms from 20% in 2010 and 2011. The emphasis on profits and profitability has remained constant at 16% from 2010 through 2012.

A TEN COUNTRY MISSION STATEMENT COMPARISON

The final portion of this paper summarizes the authors' most recent mission statement analysis of the largest 25 firms in the United States and nine other countries. The other countries studied included Canada, United Kingdom (UK), France, Germany, Australia, Japan, China, Brazil, and India. These 250 mission statements were reviewed and analyzed as to the identified stakeholders and goals/objectives of the company. Due to the length of these mission statements, they are not included in an appendix. They are; however, available upon request from the lead author. It is the authors' hope that this paper will provide an insight into the current mission statement status on a global basis. Significant similarities and differences can be uncovered by reviewing the summary results presented below.

Table 5: Percentages of 2012 Mission Statements including the Following Terms by Country					
Stakeholders Mentioned	**U.S.**	**France**	**Germany**	**Japan**	**China**
Communities/Community	28%	20%	4%	8%	24%
Customers	68%	68%	48%	48%	56%
Employees	16%	24%	24%	20%	32%
Stockholders/Stakeholders	20%	12%	20%	24%	40%
Suppliers	12%	8%	4%	0%	8%
Goal/Objective Mentioned					
Core Values	8%	36%	4%	4%	8%
Efficient/Effective	4%	0%	8%	0%	0%
Environment/Earth Friendly	8%	12%	16%	16%	16%
Ethics/Ethical Operations	28%	8%	8%	8%	12%
Global/Worldwide	24%	8%	28%	28%	36%
Growth/Expansions	0%	24%	4%	16%	32%
Innovation	20%	20%	32%	24%	24%
Leader/Leadership	32%	12%	20%	8%	12%
Profits/Profitability	16%	16%	8%	0%	8%
Quality/Value/Service	32%	20%	40%	8%	44%
Safety/Safe Product	8%	12%	16%	8%	4%
Trust	4%	16%	4%	4%	0%
Affordable	12%	4%	4%	0%	0%
Teamwork	8%	20%	0%	0%	0%

Tables 5 and 6 (five countries each) present the percentages of firms that included the listed stakeholder or corporate goal in their 2012 mission statement. Table 5 includes a mission statement summary for the United States, France, Germany, Japan, and China. Table 6 lists the summary results from Canada, United Kingdom (UK), Australia, Brazil, and India. A few of the 250 companies did not have an English version of their homepage and were not included in this analysis. These tables list the major identified stakeholders including community, customers, employees, stockholders and suppliers. Secondly, the tables summarize the most commonly identified goals or objectives of the firm. These goals included supporting core values, concern for the environment, desire for ethical operations, need to operate on a global basis, striving for growth and expansion, and attempting to produce a quality product that provides value to customers.

Table 6: Percentages of 2012 Mission Statements including the Following Terms by Country					
Stakeholders Mentioned	**Canada**	**U.K.**	**Australia**	**Brazil**	**India**
Communities/Community	20%	12%	52%	32%	28%
Customers	40%	72%	76%	52%	60%
Employees	48%	36%	52%	44%	28%
Stockholders/Stakeholders	32%	28%	52%	44%	32%
Suppliers	4%	12%	24%	12%	0%
Goal/Objective Mentioned					
Core Values	20%	8%	12%	4%	8%
Efficient/Effective	0%	8%	4%	0%	0%
Environment/Earth Friendly	20%	8%	28%	32%	24%
Ethics/Ethical Operations	40%	28%	20%	32%	36%
Global/Worldwide	28%	44%	16%	28%	44%
Growth/Expansions	20%	20%	20%	24%	4%
Innovation	12%	32%	20%	12%	20%
Leader/Leadership	44%	36%	20%	28%	44%
Profits/Profitability	12%	4%	8%	12%	4%
Quality/Value/Service	24%	12%	24%	28%	20%
Safety/Safe Product	16%	12%	28%	8%	12%
Trust	4%	12%	8%	4%	16%
Affordable	8%	0%	0%	0%	0%
Teamwork	8%	8%	12%	0%	12%

First, a review of named stakeholders is in order. These tables show that customers are mentioned far more often in mission statements than communities, employees, stockholders, and suppliers. The country most often recognizing customers in missions was Australia with 76%. Following closely behind are the U.S. and France with 68% of missions including customers. The country with the fewest number of large firms including customers in their mission statements is Canada with only 40%.

In recent years, large firms have been increasingly likely to add concern for the communities in which they operate to their missions. Community was included in 52% of Australian missions followed by 32% in Brazil, and 28% in India and the U.S. Employees were included in 52% of Australian missions, 48% of Canadian statements, and 44% of the large firms in Brazil. Stockholders are another important stakeholder found in 52% of Australian missions, 44% of Brazilian statements, and 40% of the largest firms in China. Suppliers were the least frequently mentioned stakeholder found in only 24% of Australian, and 12% of the U.S., U.K., and Brazilian missions.

Table 7 shows the top three stakeholders for each of these ten countries in order of their frequency. The most frequently mentioned stakeholder was customers in nine of the countries. The only exception was Canada where employees (48%) were mentioned more often than customers (40%). The importance of the community is evident in the U.S. and India with 28% of their mission statements including this important stakeholder. Depending on the country, employees and stockholders represented the second and third most often mentioned stakeholder.

Table 7: Stakeholder Rankings by Frequency					
	United States	**France**	**Germany**	**Japan**	**China**
1.	Customers	Customers	Customers	Customers	Customers
2.	Community	Employees	Employees	Stockholders	Stockholders
3.	Stockholders	Stockholders	Stockholders	Employees	Employees
	Canada	**U.K.**	**Australia**	**Brazil**	**India**
1.	Employees	Customers	Customers	Customers	Customers
2.	Customers	Employees	Tie*	Stockholders**	Stockholders
3.	Stockholders	Stockholders	Tie*	Employees**	Community
* Community, Employees, and Stockholders were tied.					
**Stockholders and Employees tied.					

Tables 5 and 6 also summarize the goals and objectives included in the mission statements in these ten countries. The authors identified a total of 14 goals and objectives included in the mission statements from these ten countries. These goals ranged from providing a quality product that provided value to their customers to making sure that the products sold were safe for all potential customers. The most frequently mentioned goals varied from country to country. The following paragraphs discuss the most identified goals or objectives in these ten countries.

U.S. firms stressed the importance of providing of a quality product or service that provides value to their customers and being a leader in the industry (both 32%), the maintenance of ethical business practices (28%), and conducting global operations (24%). In addition, U.S. missions also listed an emphasis on profits or profitability (16%). A recent addition to the list of goals for U.S. firms is affordability. This appeared in 12% of mission statements.

French firms emphasized the company's core values in 36% of their mission statements. This is far more than any other country (Canada was a distant 2nd with 20%). Other commonly described goals in French missions included the desire to grow and expand (24%) and producing a quality product and stressing innovation (both at 20%). A recent addition to the list of goals was the need for teamwork. This was found in 20% of French missions which was far more than other countries (2nd were Australia and India at 12% each).

German mission statements emphasized the goals of providing a quality product or service (40%), being an innovator (32%), and stressing global operations (28%). Maintaining a leadership position in the industry (20%) and producing a safe product that was environmentally friendly were also common in these missions (16% each).

Japanese firms stressed the goal of conducting global or worldwide operations (28%). The goals of maintaining innovation (24%) and the desire for growth and expansion (16%) were also common. The goal of operating in an environmentally friendly fashion was also found in 16% of these missions. Overall, Japanese missions statements listed fewer goals than the other nine countries. Many of the authors' identified goals were only included in a few of the large Japanese firms' mission statements.

China's mission statements emphasized the goals of providing a quality product or service (44%), conducting global operations (36%), and the desire for growth and expansion of the firm (32%). Also, 24% of Chinese missions included the desire to be an innovator in their industry. Finally, large firms in China include a goal that is unique to their mission statements. 20% of Chinese mission statements included the desire for harmony in the firm or society and with the environment. This goal was virtually nonexistent in the missions of the other nine countries.

Canadian missions stressed the objectives of being a leader in the industry (44%), maintaining ethical operations (40%), and the desire for global operations (28%). Producing a quality product (24%) was also a common goal for Canadian firms. Canada's mission statements emphasized ethics and ethical operations to a larger percentage (40%) than any of the other nine countries. Other countries emphasizing ethics included India (36%) and Brazil (32%). The U.S. trailed these countries with only 28% of its missions including the goal of ethical operations. This is a bit surprising following the passage of the Sarbanes-Oxley Act in 2002.

The United Kingdom mission statements most often cited the goals of maintaining global operations (44%), being a leader in the industry (36%), and the desire to be an innovator (32%). Other goals listed included the emphasis on ethics and ethical operations (28%) and the need to grow and expand (20%).

Australian missions emphasized more goals per statement than the other nine countries. The most commonly reported goals were concern for the environment and earth friendly operations and the need to produce a safe product and conduct safe operations (both 28%). The production of a quality product was found in 24% of these statements. Finally, 20% of these mission statements included the goals of ethical operations, need for growth and expansion, being an innovator, and maintaining a leadership position in the industry.

Mission statements in Brazil stressed ethical operations and concern for the environment (both at 32%). Other common Brazilian goals included maintaining a leadership position and producing a quality product (both at 28%). The goal of maintaining growth and expansion was found in 24% of these statements.

Indian statements stressed the desire for global operations and being a leader in the industry (both at 44%). Maintaining ethical operations (36%) and operating in an environmentally sound manner (24%) were also commonly included in these statements. Teamwork was also mentioned in 12% of India's missions. France, Australia, and India were the three countries that most often mentioned the importance of teamwork.

A summary of the most commonly mentioned goal or objective is found in Table 8. The goals are listed based on frequency with the most commonly mentioned goal listed first. There are a number of ties in the list and are so marked. The authors summarized the three most commonly identified goals for each country in the following list.

Table 8: Most Commonly Identified Goal or Objective by Country

Country	Goal/Objective
U.S.	1.Leadership/quality product (tie), 2.ethical practices, 3.global operations
France	1.Core Values, 2.growth-expansion, 3.innovation/quality/teamwork (tie)
Germany	1.Quality product, 2. innovation, 3.global operations
Japan	1.Global operations, 2.innovation, 3.growth-expansion/environmental (tie)
China	1. Quality product, 2. global operations, 3. growth-expansion
Canada	1. Leadership position, 2. ethical practices, 3. global operations
U.K.	1. Global operations, 2. leadership, 3. innovation
Australia	1. Environment/safety (tie), 2. quality, 3. ethics/growth/innovation/leadership (tie)
Brazil	1. Environmental/ethical (tie), 2. global/leadership/quality (tie), 3. growth
India	1. Leadership/global operations (tie), 2. ethical practices, 3. environmental

There is a good deal of variation in the goals of the firms by country. For example, producing a quality product that provides value to customer was a top goal in the U.S., Germany, and China. Following the core values of the firm was most commonly mentioned only in French statements. Concern for the environment was the most commonly identified goal in both Australia and Brazil. Leadership was most mentioned in the missions of Canada and India. The importance of ethics and ethical practices was included in the list above for the U.S., Canada, Australia, Brazil, and India. The goal of conducting global operations was most typically listed in the missions of Japan, U.K., and India. The authors noticed in the 2012 study that teamwork is found in a reasonable number of mission statements. France (20%), Australia (12%), India (12%), U.S. (8%), Canada (8%), and the U.K. (8%) each had a number of firms that considered the importance of teamwork.

MISSION STATEMENT EXAMPLES

The next portion of this paper is devoted to listing at least one mission statement from each of these countries. Since this paper is based on a review of 250 mission statements, it is not practical to list all of them. The following are mission statements from each of the ten countries that provide a good example of a firm that attempts to identify both stakeholders and goals of the firm in the mission statement.

From the United States, the mission statement of Kroger is an excellent example of a fairly comprehensive statement. Notice the desire for leadership and the list of stakeholders that the firm considers important. Kroger's mission is:

"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."

The authors selected the Renault Company from France. This mission is strong in the area of ethical behavior and concern for the environment. Renault's mission is:

> "Developing Renault's core values means respecting employees worldwide and helping them to progress, fostering a spirit of openness, ensuring the full transparency of information and being honest and fair in accordance with the Renault Code of Good Conduct. It entails working with its partner Nissan in compliance with the Alliance Charter. It also means that today's results must be achieved in a way that lays the foundations for future success, while preserving environmental quality and the cohesion of the society in which Renault operates. In this way, Renault will be making its contribution to sustainable development around the world."

The German mission statement selected is from Daimler. This is a great example of a mission that lists both stakeholders and also the firm's goals. Daimler's mission is:

> "Our philosophy is clear: We give our best for our customers, who expect the best, and we live out a culture of excellence based on shared values. The history of our company is marked by innovations: These are the basis and stimulus for our claim to leadership in automotive production. It is our goal to successfully meet the challenges of future mobility. We intend to thereby create lasting value for our shareholders, customers, and employees, as well as for society as a whole."

From Japan, the authors selected Toyota Motors. Notice the goals of safety, quality, innovation, and concern for the environment. Toyota's mission is:

> "Toyota will lead the way to the future of mobility, enriching lives around the world with the safest and most responsible ways of moving people. Through our commitment to quality, constant innovation and respect for the planet, we aim to exceed expectations and be rewarded with a smile. We will meet challenging goals by engaging the talent and passion of people, who believe there is always a better way."

A good example from Chinese mission statements is the China Merchants Bank. Notice the importance of community and society. The firm also lists very noble goals including poverty alleviation and environment protection. Its mission statement reads:

> "In China Merchants Bank ("CMB"), we firmly believe that the company and the community are mutually-interdependent. CMB plays a role to facilitate the economic growth of the country and in return, the national economic and social development helps us to expand. A fair and stable society is essential to the development of businesses, and they are bound to contribute to a fair and stable community. Therefore, we stick to our principle of "From the society, to the society" and have taken various measures to give back to the society, such as in the areas of poverty alleviation, environmental protection, education and emergency relief services."

From Canada, the Canadian National Railway was selected as a good example of a comprehensive mission statement. Notice the importance of safety to all stakeholders in this mission. Its short but effective statement reads as follows:

> "We are an engaged corporate citizen, committed to the safety of our employees, customers and the public. CN is invested in building shareholder value and stronger communities, focused on environmental stewardship and developing an exceptional environment in the workplace."

The authors selected the HSBC Group from the U.K.'s largest firms. The importance of ethics and ethical behavior is clear in this mission. It reads as follows:

> "Having regard to ethical values; to meet its customer's financial needs in the fastest and most appropriate way, to continue innovative works in order to achieve: human resource with superior qualities, technological infrastructure and service packages."

An outstanding example of a very comprehensive mission statement from Australia is that of the Commonwealth Bank. Notice the importance of the customer, shareholders, and the community. Commonwealth Bank's mission is:

> "The Commonwealth Bank's vision is to be Australia's finest financial services organisation through excelling in customer service. We aspire to: have people that are engaged, passionate and valued, provide a service experience our customers appreciate, deliver top quartile returns to our shareholders, be respected and admired in our community. We want to be the financial services organisation

chosen by customers because of our outstanding service. Ultimately, we want to be known as a great company to bank with, work in and invest in."

The firm selected from Brazil is Companhia Sideurgica. Notice the number of stakeholders mentioned and the importance of ethical relations with each. Companhia Sideurgica's mission is:

"To stand out as an icon for Brazil in terms of entrepreneurship and citizenship, as well as to increase the company values for the shareholder in a sustainable manner, by keeping focus on the steel industry, and on the mining and infra-structure industries, therefore contributing for a competitive advantage with regards to the company growth, besides offering products and services of quality, having an ethical relation with its workers, suppliers, customers, and with the communities in which the company operates at, in addition to being in harmony with the environment."

Finally, the company selected from India is Oil & Natural Gas. This is a very comprehensive mission that emphasizes a number of goals and stakeholders. Its mission statement reads as follows:

"To be a global leader in integrated energy business through sustainable growth, knowledge, excellence, and exemplary governance practices. We are dedicated to excellence by leveraging competitive advantages in R&D and technology with involved people. Utilize high standards of business ethics and organizational values. Abiding commitment to safety, health, and the environment to enrich the quality of community life. Foster a culture of trust, openness, and mutual concern to make working a stimulating and challenging experience for our people. We strive for customer delight through quality products and services."

These examples provide insight into what large organizations in these ten countries consider to be their most critical goals/objectives. In addition, identified stakeholders include community, customers, employees, and stockholders. A review of these mission statements reveals what these firms feel is most important and their purpose for existence. A study of this nature provides the reader with an appreciation of the wide variety of mission statements in use today around the world.

SUMMARY OBSERVATIONS

The tables in this paper, especially tables 5 and 6, summarize the current status of mission statements in the ten countries under review. It is important for both business and educational professionals to be aware of the current philosophy of large corporations from around the world. The analysis of the content of mission statements provides insight into what these firms consider to be most important to them both in terms of stakeholders and desired goals or objectives. The authors would like to conclude this paper with the following observations:

1. For U.S. firms, the term "community or communities" has become commonly used in mission statements over the past eleven years (down from the high in 2010) See Table 4. Concern for communities in which the firm operates is commonly included in current mission statements. Customers have constantly been the most commonly mentioned stakeholder from 2001 through 2012.
2. U.S. mission statements stress ethics and ethical practices to a significant degree increasing since the passage of the Sarbanes-Oxley Act. Also, the desire to maintain a leadership position in the firm's industry has continued to increase as a stated goal.
3. Reviewing all ten countries allows for a number of observations to be made:
    a. The most commonly identified stakeholder continues to be the customer ranging from a high of 76% in Australia and followed closely by the U.K. with 72%. The U.S. and France are next with 68% each.
    b. The importance of community or communities is evident in the mission statements from 2012. 52% of Australian statements include this stakeholder followed by Brazil (32%), India (28%), and the U.S. (28%). Community was only mentioned in 8% of Japanese missions and 4% of German statements.
    c. Employees are an identified stakeholder in 52% of Australian statements followed by Canada (48%), Brazil (44%) and the U.K. (36%).
    d. Stockholders were most often included in Australian (52%), Brazilian (44%), and Chinese (40%) missions. Stockholders were only mentioned in 20% of U.S. and 12% of French statements.
    e. Turning to the identified goals, core values were included in more French missions (35%) than any of the other nine countries.
    f. Consideration for the environment and operating in an earth friendly manner was most reported in Brazilian (32%) missions followed by those from Australia (28%) and India (24%). Concern for the environment was found in only 8% of the missions from the U.S. and U.K.
    g. The goal of maintaining and improving innovation appears to be more common among all of the countries. Both the U.K. and Germany had 32% of its mission statements identifying this goal.
    h. Maintaining a leadership position in the industry was a common goal in the missions of firms in Canada and India (both 44%), U.K. (36%), and the U.S. (32%).

i. Production of a quality product or service continues to be a common goal of firms around the world. 44% of Chinese firms, 40% of German companies, and 32% of U.S. enterprises included this as an identified goal.

j. Goals that have begun to appear on global mission statements include affordability and teamwork. 12% of U.S. companies included affordability on their mission statement. Also, 20% of French firms mentioned the importance of teamwork. 12% of Australian and Indian missions also identified teamwork as a goal of the firm.

k. Finally, Chinese mission statements have emphasized the importance of "harmony or creating a harmonious situation" in their missions. Harmony between the firm and society or the environment is increasingly more common.

In summary, Tables 5 and 6 present a wealth of information. There are a number of other observations that could be made but the authors feel that these are most of the significant areas. Mission statements are constantly under review and need to be updated on a regular basis. The authors hope to continue their stream of mission statement research in future years to identify changes that are taking place in the written missions of organizations from around the world.

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APPENDIX – 250 MISSION STATEMENTS FROM TEN COUNTRIES

Due to article length considerations, a copy of the 250 mission statements is available from the lead author. Email – dking@sbu.edu

WHAT DO VALUES HAVE TO DO WITH IT?: AN EXPLORATION INTO THE MODERATING IMPACT OF WORK VALUES ON THE RELATIONSHIP BETWEEN LEADER-MEMBER-EXCHANGE AND WORK SATISFACTION

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ABSTRACT

This study is an attempt to understand and clarify the moderating role of individual work values on the relationship between leader-member exchange (LMX) and work satisfaction within the American workforce. Data collected from a sample of 122 full-time working employees across various U.S. based organizations is assessed. A multiple regression analysis is used to determine the direct impact of leader-member exchange dimensions on extrinsic and intrinsic job satisfaction, and a hierarchical regression analysis is used to determine the moderating influence of self-enhancement and self-transcendence values. It is found that while LMX has a direct positive relationship with both facets of job satisfaction, LMX has a greater statistically significant influence on extrinsic facets of job satisfaction. The moderating analysis reveals that self-transcendence values significantly moderates the relationship between extrinsic work job satisfaction and LMX dimensions. These findings encourage managers to continue to develop the attributes of LMX, which in return will likely result in high employee extrinsic job satisfaction. The results also note the importance for managers to realize that they represent the organization for their employees, and their level of support and values is concurrent with how their employees view the entire organization.

Keywords: Leader-member exchange, job satisfaction, work values

INTRODUCTION

The study of employee satisfaction and managerial influence continues to remain important in today's volatile marketplace. Recently released data shows that U.S. job satisfaction is at an all-time low, with less than 50% of employees satisfied within their role (Consumer Research Center of The Conference Board, 2010). The literature notes that a contributing or detracting factor to one's satisfaction is an employee's direct supervisor (Robie, Ryan, Schmieder, Parra, & Smith, 1998). The social science field contains numerous studies expanding the literature regarding the relationship between work satisfaction and leadership. Specifically, research has found that leader-member exchange (LMX), which is the quality of one's relationship with his or her direct supervisor directly, influences ones satisfaction at work (eg. Graen, Novak & Sommerkamp, 1982; Graen, Orris & Johnson, 1973l; Scandura & Graen, 1984). However, a compelling influence to this relationship, which has largely been ignored within the literature are followers' values. Human nature is comprised of innate values, which influence the way one is satisfied in their job (Schwartz, 1994). These values are the lens, which interprets ones relationship with his or her supervisor. Therefore, it is necessary for both employees as well as supervisors to understand the implications that followers' values have on understanding the level of relationship with his or her supervisor and the impact it may have on their work satisfaction.

However, few studies examine the impact that one's values have on the relationship between leader-member exchange and work satisfaction. Callum's (2011) study found a positive relationship between leader-member-exchange, job satisfaction and one's psychological contract fulfillment. However, an employee's psychological contract may vary from workplace to workplace depending upon the agreed expectations. Therefore, it is necessary to continue to explore ones values, which are fairly consistent throughout one's life and not dependent upon a work environment (Schwartz, 1994). Graen et al. (1982) empirical research explored the relationship between an employee's growth need strength and LMX. Moreover, while growth need strength may derive from ones values, this limited scope allows for little discussion surrounding the impact of an employee's value set. Schyns, Kroon, and Moors (2008) note that few studies consider follower characteristics, such as values, within the LMX construct. Their study also measured the impact of followers' growth need strength, extraversion, and locus of control. However, employees' values are not discussed nor measured within the study. Questions remain such as, why are certain employees more satisfied with their supervisor and organization than others are? Why do certain employees' relationships with the supervisor have greater influence on their job satisfaction compared to others? Ros, Schwartz and Surkiss (1999) point out the gap within the literature that exists concerning one's values and its impact within the workplace in addressing questions such as these.

This study is an attempt to understand and clarify the moderating role of individual work values on the relationship between leader-member exchange and work satisfaction within the American workforce. Though previous studies have noted that the quality of a leader's relationship with an employee influences work satisfaction, few have examined the moderation effect of individual work values. Within the model, an employee's work values are predicted to moderate the relationship between leader-member-exchange and employee work satisfaction. A quantitative study, using data collected from 122 participants further elaborates on the relationship between the influence of leader-member exchange on employee work satisfaction and the moderating role of work values. The research question under consideration is do individual work values moderate the relationship between leader-member exchange dimensions and employee work satisfaction.

A REVIEW OF THE LITERATURE

Leader-Member Exchange Theory

Leader-member-exchange (LMX) theory is a relatively contemporary theory within leadership studies. Many leadership theories solely focus on the behaviors of the leader, rather than also noting the followers' involvement. Dansereau, Graen, and Haga (1975) originated the construct when introducing the vertical dyad linkage (VDL) theory. VDL evolved into LMX theory with the emphasis on a leader's relationship with each individual organizational member (Graen & Scandura, 1987). The central focus of the theory is understanding the relationship that exists between the supervisor and employee as well as the exchanges that take place over time between the two.

How do individual relationships form between leader and employee, and how do they differ across organizational members? It has been suggested that these relationships form based on "personal compatibility and subordinate competence and dependability" (Yukl, 2006, p. 117). Dienesch and Linden (1986) argue that each behave based on the amount of resources one puts forth into the relationship. "For example, the leader may offer increased job latitude or delegation to the member, and the member may offer strong commitment to work goals or high levels of effort and performance to the leader" (Bauer & Green, 1996, p. 1538). However, a leader has only a limited amount of resources to dispense upon individual followers. Therefore, Green, Anderson, and Shivers (1996) note the disparity between what is considered high-level exchanges and lower-level exchanges. For example, those relationships between leader and follower that exhibit mutual respect and trust will evolve into higher quality relationships. Whereas, those that evolve based on obligation of organizational employment will experience a lower quality relationship (Liden, Sparrowe & Wayne, 1997).

Since the origination of LMX theory, a growing body of research has been conducted to determine the outcomes of LMX theory. Many of the studies confirm that a follower's relationship with the leader is crucial to one's work experience (Graen & Cashman, 1975; Graen & Uhl-Bien, 1995). One of the noteworthy outcomes supported in the literature is that leader-member exchange is related to subordinate satisfaction (Graen, Novak & Sommerkamp, 1982; Graen, Orris & Johnson, 1973l; Scandura & Graen, 1984). Liden and Maslyn's studies (1998) also have found a significant correlation between LMX and job satisfaction. In addition, few studies exist surrounding the influence that LMX has on the different factors of job satisfaction, intrinsic and extrinsic. Springer (2006) explored the relationship of overall LMX and its varying influence on either extrinsic or intrinsic job satisfaction. Two questions under consideration are does LMX dimensions positively correlate with job satisfaction and do these factors of LMX differ on their impact between extrinsic and intrinsic motivators of job satisfaction.

Individual Job Satisfaction

Locke et al. (2001) describes job satisfaction as the gratifying state one experiences while on the job. Fields (2002) defines job satisfaction, "as an employee's affective reactions to a job based on comparing actual outcomes with desired outcomes" (p. 1). Westover et al (2010) note that when expectations are met or exceeded, employee job satisfaction is often high. Work satisfaction is known to not only impact one's work life, but also one's personal life as well (Judge & Watanable, 1993). "Job satisfaction has larger effects on life satisfaction, suggesting that job satisfaction is an essential component of an employee's life" (Fields, 2002, p. 2). Also noted is that employees who are more satisfied in their role are more likely to outperform those who are not (Ostroff, 1992). Therefore, it is important to understand the impact of employee satisfaction within the workplace, and the role leader-member-exchange plays in influencing it.

Employee work satisfaction stems from a variety of factors, such as the comparison of anticipated outcomes with definite consequences (Cranny, Smith, & Stone, 1992), internal and external job components (Howard & Frank, 1996), job performance (George & Jones, 1997), as well as values (Kinicki & Kreitner, 2007). The literature also provides a connection between management and work satisfaction (Robie, Ryan, Schmieder, Parra, & Smith, 1998). Herzberg (1966) found a link between employee' work dissatisfaction and their immediate supervisor. Also worth nothing is that Zeitz (1990) found an employee's perception of management helped explain job satisfaction.

While numerous studies in the literature support the relationship between LMX and job satisfaction, few have explored the difference in follower experience of LMX between intrinsic and extrinsic job satisfaction. Questions remain such as does a followers perception of LMX have greater influence on the employee's extrinsic or intrinsic job satisfaction? Therefore, the proposed model suggests that leader-member exchange will be positively relate to both intrinsic and extrinsic job satisfaction, but have a greater influence on an employee's extrinsic job satisfaction. The rationale behind the greater influence on extrinsic job satisfaction is the manager's ability to influence those facets of an employee's job.

Table 1: Facets of Job Satisfaction

Intrinsic Factors	**Extrinsic Factors**
Interest in job	Compensation
Meaningful work	Benefits
Status	Relationships
Personal growth	Opportunities
Sense of accomplishment	Respect
Sense of fulfillment	Recognition
Autonomy	

Table 1 notes the facets of job satisfaction of both extrinsic as well as intrinsic job satisfaction. The model also proposes the following control variables should also be considered based on their potential influence on job satisfaction: a) an employee's compensation, b) gender, c) age, and d) education level, as these have found to have an influence on employee work satisfaction as well (Fields, 2002).

H1a: *Followers' experience with leader-member exchange are positively related to overall employee work satisfaction*

H1b: *Followers' experience with leader-member exchange is more positively related to extrinsic job satisfaction than intrinsic job satisfaction*

Individual Work Values

While the literature is full of studies examining leader-member exchange and its outcomes, there are few if not any that examine the moderating influence of an employee's individual work values. Basic values are often explained as one's beliefs, needs, goals, and preferences (Fields, 2002). Work values are those basic values expressed in a work setting (Ros et al., 1999). These work values represent what an employee is seeking for in their general work experience. Therefore, work values will generally influence the way the employee views the role of his or her manager. Harding, Phillips, and Fogarty's (1986) work confirm the role values play in the personal development of employees and the way it affects the employee's outlook. For example, an employee who values work relationships will expect a high quality exchange with their manager. If on the other hand an employee values power over the relationship with one's supervisor, the quality of the exchange with one's manager will lessen in its ability to influence the employee's satisfaction.

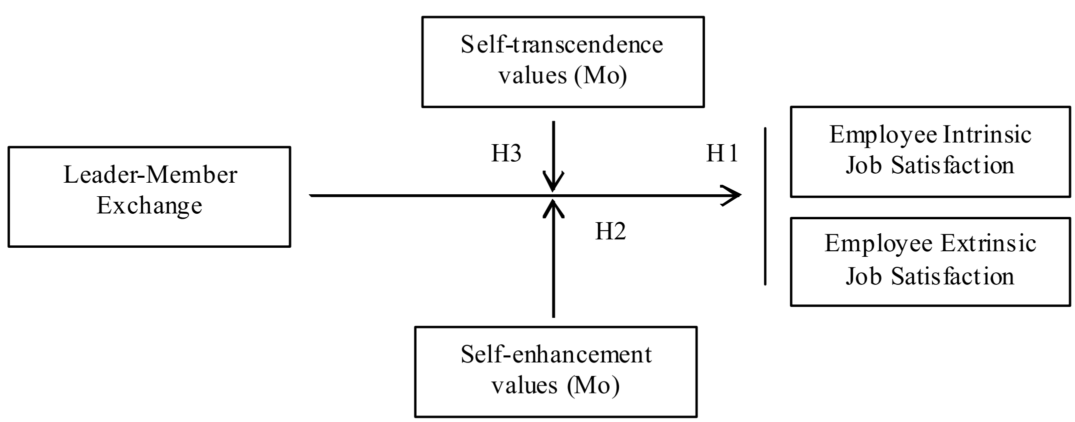
The proposed model will focus on Schwartz's (1994) theory of basic human values, in which the researcher identifies ten specific motivational values, which are universally recognized. The ten motivational values are power, achievement, hedonism, stimulation, self-direction, universalism, benevolence, tradition, conformity, and security. Overarching these ten motivational values are four core values: openness to change, conservation, self-enhancement, and self-transcendence.

Table 2 summarizes the various motivational values, which fall under each category. For this, particular study, self-enhancement and self-transcendence values are chosen for measurement by using an abbreviated version of Schwartz (1994) Work Values Survey. The literature supports that two core components, for example self-transcendence and conservation, "share a single motivational goal—subordination on self in favor of socially imposed expectations" (Ros et al., 1999, p. 52). Therefore, the focus on self-enhancement and self-transcendence will simplify the study while ensuring that all motivational goals are being measured.

Table 2: Schwartz (1994) Individual Values			
Openness to Change	Conservation	Self-Enhancement	Self-Transcendence
Hedonism	Security	Achievement	Universalism
Stimulation	Tradition	Power	Benevolence
Self-Direction	Conformity	Hedonism	

Self-enhancement values focus on dominance over others for the benefit of oneself. On the other end of the spectrum of values is self-transcendence, which emphasizes tolerance and viewing all as equals, and therefore expressing concern for the general welfare (Elenkov, Naoumova, Lowery, Chornovil, Sarov, & Andov, 2004). These opposing value sets are proposed to influence the relationship between leader-member exchange and employee work satisfaction due to the change in expectations of one's dyad relationship, depending on an individual's value set, thereby strengthening or weakening this relationship. The level of one's exchange and its ability to influence one's satisfaction at work is proposed to strengthen for those individuals that hold self-transcendence values. Whereas those individuals who hold self-enhancement values, it is proposed that, the relationship with one's manager and its influence on one's satisfaction is weakened.

Figure 1. The proposed model suggests that leader-member exchange will be positively related to employee work satisfaction, with a moderating influence of an employee's individual work values.



For example, an employee who values benevolence will more likely be satisfied when he or she experiences a high quality relationship with one's direct supervisor, because that employee believes the supervisor is directly involved with the employee and organization's welfare. However, if the employee values his or her own power and advancement, than the level of ones relationship with the manager is not as important to his or her satisfaction.

H2: Self-enhancement values of employees will weaken the relationship between leader-member exchange and employee work satisfaction

H3: Self-transcendence values of employees will strengthen the relationship between leader-member exchange and employee work satisfaction

METHODOLOGY

Sample and Procedures

The participants were collected from a convenience sample and asked to complete an online questionnaire. Questionnaires were distributed over a four-week period using social media networks and email. The sampling method chosen was the snowball method of data collection. Participants were sent a link to the questionnaire and asked to pass along to other participants who may be interested in completing. The researcher noted within the message that participants must be currently working full-time and have a direct supervisor.

A total of 122 questionnaires were returned and determined to be usable questionnaires. Therefore, the sample consists of 122 followers within a variety of US based organizations. The sample consists of 57% females and 43% males. The sample consists of 49% within the 35-54 age range, while 31% fell into the 26-34 age range. Forty-one percent of the sample hold a bachelor's degree, (15% had high school degree or some college), 41% obtained a master's degree and 5% completed doctoral work. 41% of the sample brings home more than $90,000 in annual compensation.

MEASUREMENTS

Leader-Member Exchange.

To measure the dimensions of leader-member exchange, the LMX-MDM instrument originated by Liden and Maslyn (1998) is used. The measure is comprised of 12 questions within the instrument. The items are scored from 1 to 5, ranging from 1 = strongly disagree to 5=strongly agree. Sample items include, "My supervisor is the kind of person one would like to have as a friend", "I am impressed with my supervisor's knowledge of his/her job", "My supervisor defends my work actions to a superior, even without complete knowledge of the issue in question", and "I do work for my supervisor that goes beyond what is specified in my job descriptions". The 12-item scale's was α= .920 for this sample. While the instrument can measure four identified dimensions within the LMX construct (professional respect, contribution, loyalty, and affect), Graen and Uhl-Bien (1995) note that, "LMX construct has multiple dimensions, but these dimensions are so highly correlated that they can be tapped into with the single measure of LMX" (p. 237). Therefore, due to the high level of inter-correlations among the dimensions within the instrument, the overall construct of LMX, which measures the quality of one's exchange with a direct supervisor, will be used throughout the analysis and results, rather than analyzing four individual highly correlated dimensions.

Job Satisfaction.

To measure job satisfaction the Minnesota Satisfaction Questionnaire (MSQ) short form, consisting of 20 questions is used. These questions provide a wide range of general job satisfaction measures. A 5-point Likert scale captures the responses ranging from 1= very dissatisfied with this aspect of my job to 5= very satisfied with this aspect of my job. Sample items include "The chance to work alone on the job", "The way my job provides for steady employment", and "The working conditions". Fields (2002) reports that the reliability for the short form questionnaire has ranged with a coefficient alpha from .85 to .91 in previous studies (eg. Hart, 1999; Huber, Seybolt, & Venemon, 1992; Klenke-Hamel & Mathieu, 1990). Also noted is the test-retest reliability of r=.58 across three periods (Wong et al., 1998). The scale also contains two subsets of job satisfaction, which are intrinsic factors (12 questions, α=.856) and extrinsic items (8 questions, α=.799), both proving high reliability upon the subsets of the instrument.

Individual Work Values.

A modified version of Schwartz (1994) Work Value Survey is used to measure individual work values. The self-transcended values subset contains 18 items with α=.899. Self-enhanced values consists of 13 questions with α=.770. A 5-point likert scale is used ranging from 1= opposed to my values to 5= of supreme importance. Sample items include "Protecting the environment" (universalism), "Helpful" (benevolence), "Social power" (power), "successful" (achievement), and "enjoying life" (hedonism).

RESULTS

The zero-order correlations for LMX and the two factors of job satisfaction are reported in Table 3. As displayed in the table, LMX dimensions are positively related to job satisfaction; however, LMX dimensions are more strongly correlated to extrinsic job satisfaction factors

(.577) compared to intrinsic (.400). All correlations are statistical significant at the $p < 0.01$ level.

Table 3: Correlations of LMX and Job Satisfaction											
	Mean	SD	1	2	3	4	5	6	7	8	9	10
1. Overall Job Sat	3.64	0.54	-									
2. Intrinsic Job Sat	3.78	0.56	0.93	-								
3. Extrinsic Job Sat	3.41	0.64	0.88	0.65	-							
4. Overall LMX	3.83	0.66	0.53	0.40	0.58*	-						
5. Self-Enhancement	3.49	0.42	0.08	0.08	0.07	0.05	-					
6. Self-Transcendence	3.80	0.53	0.06	0.03	0.07	0.05	0.42*	-				
7. Gender	1.56	0.50	0.03	0.06	-0.02	-0.02	0.19*	0.27	-			
8. Education Level	5.24	0.99	0.00	0.06	-0.08	0.05	0.10	0.04	-0.16	-		
9. Income	6.44	2.13	0.15	0.13	0.15	0.11	-0.03	-0.12	-0.04	0.19	-	
10. Age	4.69	0.84	0.11	0.10	0.11	-0.10	-0.23*	0.00	-0.01	-0.04	0.43**	-
**. Correlation is significant at the 0.01 level (2-tailed).												
*. Correlation is significant at the 0.05 level (2-tailed).												

Two multiple hierarchical moderated regression analyses were completed to test the main effect and the interaction hypotheses (see Table 4 & 5). To test each of the moderation effects, the control variables were entered into the first block (age, gender, income, and education), followed by the main effects of overall LMX and values, and the interaction in the last box. This method is consistent with the procedures described by Aiken and West (1991).

Hypothesis 1a predicted that LMX would be positively related to overall job satisfaction. As seen in Table 4, LMX are positively related to job satisfaction (β=.505, $p<0.01$), demonstrating incremental validity ($\Delta R2$ =.243) beyond the control variables. Overall, these findings are consistent with hypothesis 1a, which suggest that the level of one's relationship as seen in LMX theory is directly associated with the level of one's satisfaction at work. Hypothesis 1b predicted that LMX will be more positively associated with extrinsic compared to intrinsic job satisfaction. As seen in the zero-order correlations, while both facets of job satisfaction are positively related to LMX, LMX are significantly higher with extrinsic job satisfaction compared to intrinsic (z=1.730, $p<0.05$). Results from the regression analysis also support this conclusion that LMX's influence on extrinsic job satisfaction (β=.560, $p<0.01$) is greater compared to intrinsic (β=.378, $p<0.01$) while controlling for all control variables (age, gender, income, and education). These results are statistically significant when testing for the difference in the regression coefficients (z=1.99, $p<.05$). Therefore, hypothesis 1b is fully supported by these findings.

Table 4: Results From Multiple Linear Regression Analysis of LMX on Job Satisfaction		
Hierarchical block variables	ΔR^2	β
Block 1: Controls	0.05	
Gender		0.56
Age		0.11
Education Level		-0.05
Income		0.93
Block 2: Main Effects	0.24**	
LMX		0.51**
Total R^2	0.29	
Note:** p < 0.01, *p<0.10		

Table 5: Results From Moderated Hierarchical Regression of Self-Enhancement Values on LMX and Intrinsic Job Satisfaction		
Hierarchical block variables	ΔR^2	β
Block 1: Controls	0.04	
Gender		0.82
Age		0.32
Education Level		0.53
Income		0.13
Block 2: Main Effects	0.14**	
LMX		0.38**
Self-Enhancement Values		0.08
Block 3: Interaction	0.00	
LMX*Self-Enhancement Values		-0.02
Total R^2	0.23	
Note:** p < 0.01, *p<0.10		

Hypothesis 2 predicted that the relationship between LMX and job satisfaction would be moderated by self-enhancement values, such that one with high self-enhancement values would weaken the influence of LMX on job satisfaction. After running a hierarchical regression analysis of the interaction of LMX*self-enhancement values, it did not yield a significant interaction beyond the main effects on both extrinsic job satisfaction ($\beta=0.64$, $p>.05$, $\Delta R^2 = 0$) and intrinsic job satisfaction ($\beta=-.179$, $p>.05$, $\Delta R^2 = 0$). Therefore, hypothesis 2 is not supported.

Table 6: Results From Moderated Hierarchical Regression of Self-Enhancement Values on LMX and Extrinsic Job Satisfaction		
Hierarchical block variables	ΔR^2	β
Block 1: Controls	0.06	
Gender		-0.03
Age		-0.16
Education Level		0.10
Income		0.11
Block 2: Main Effects	0.31**	
LMX		0.55**
Self-Enhancement Values		0.10
Block 3: Interaction	0.00	
LMX*Self-Enhancement Values		0.03
Total R^2	0.23	
Note:** p < 0.01, *p<0.10		

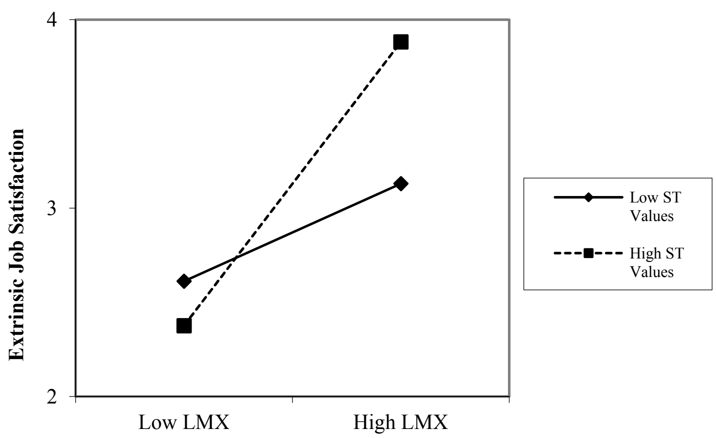
Table 7: Results From Moderated Hierarchical Regression of Self-Transcendence Values on LMX and Intrinsic Job Satisfaction		
Hierarchical block variables	ΔR^2	β
Block 1: Controls	0.04	
Gender		0.10
Age		0.04
Education Level		0.06
Income		0.12
Block 2: Main Effects	0.14**	
LMX		0.37**
Self-Transcendence Values		0.01
Block 3: Interaction	0.05	
LMX*Self-Transcendence Values		0.08
Total R^2	0.23	
Note:** p < 0.01, *p<0.10		

Hypothesis 3 predicted that the relationship between LMX and employee job satisfaction would be moderated by the interaction of self-transcendence values*LMX. A moderated hierarchical regression analysis was performed, yielding a statically significant interaction on extrinsic job satisfaction (β=.274, p<.10, $\Delta R^2 = 0.02$) as seen in Table 8. While a change is also record on intrinsic work satisfaction as seen in Table 7, it was not deemed statistically significant (β=.077 p>.10, $\Delta R^2 = 0.005$). Therefore, hypothesis 3 is supported when examining the interaction on extrinsic work satisfaction, however not supported when noting the interaction on intrinsic work satisfaction.

Table 8: Results From Moderated Hierarchical Regression of Self-Transcendence Values on LMX and Extrinsic Job Satisfaction

Hierarchical block variables	ΔR^2	β
Block 1: Controls	0.06	
Gender		-0.03
Age		0.11
Education Level		-0.16
Income		0.11
Block 2: Main Effects	0.30**	
LMX		0.53**
Self-Transcendence Values		0.10
Block 3: Interaction	0.02*	
LMX*Self-Transcendence Values		0.14*
Total R^2	0.38	
Note:** p < 0.01, *p<0.10		

Figure 2. Plot of the interaction of employee's perception of LMX dimensions x self-transcendence values on an employee's job satisfaction.



To explore further the statistically significant interaction, the method described by Aiken and West (1991), which examines the effect of LMX at high and low levels of self-transcendence values was chosen. The process also involves that all variables are mean-centered to control for multicollinearity before entering into the regression analysis. A standard deviation of 1 above the mean was chosen to represent the high level of values and 1 standard deviation below the mean to represent low level of values. The impact of the interaction is visually shown in Figure 2. As hypothesized, those employees who perceived a high-level exchange with their supervisor were more likely to be extrinsically satisfied in their employment when espoused with self-transcendence values.

DISCUSSION

This study adds to the theoretical framework in at least two specific regards. The first is the finding that while LMX has a positive impact on overall job satisfaction, there is a greater significant influence on extrinsic facets of job satisfaction compared to intrinsic. The positive influence of LMX on overall job satisfaction is consistent with existing LMX Theory, which focuses on the level of exchange between employee and supervisor, (Graen, 1995) leading to a significant impact on employee work satisfaction. Specifically, LMX dimensions, which note a high-quality exchange, are directly positively associated with both extrinsic as well as intrinsic job satisfaction factors, consistent with the findings in previous studies (eg. Graen 1982; Stringer, 2006). As Stringer (2006) notes, “When employees have a high quality relationship with their supervisor they get to enjoy the benefits of favors such as mutual trust, support from their supervisor, effective communication, consideration, and esteem, and consequently, they more likely will be satisfied with their job, accomplish more, and help the organization prosper” (p. 136).

While many historical studies have found LMX to positively influence overall job satisfaction, few have focused on determining what specific facets of job satisfaction are most impacted. The findings of the study are consistent with Herzberg’s (1959) theory of job satisfaction, which states that extrinsic needs are influenced by supervision and relationships, whereas intrinsic needs are fulfilled by advancement, achievement and increased responsibility. It appears that as the level of exchange between supervisor and employee increases, the likelihood of extrinsic needs being fulfilled also increases. Therefore, the higher the exchange the greater opportunities the manager has in removing extrinsic barriers to an employee’s satisfaction. Noted within the literature is the effect, not only a high quality exchange has, but also a low quality relationship on extrinsic job satisfaction. Memmi (1974) and Noddings (1984) found that employees with low quality relationships with their supervisor felt nonchalantly supported by the organization. Khan (1998) notes that when this occurs an employee’s trust in the supervisor and organization decreases, and therefore only shares information relevant to complete the job. Problems arise such as burnout, alienation, and ultimately employees leaving the organization. Therefore, it is of the upmost importance that managers continue to develop the attributes of affect, loyalty, contribution and professional respect, which in return will likely result in high employee extrinsic job satisfaction.

The second contribution of this study to the literature is the finding of the moderating influence of self-transcendence values on the relationship between LMX and extrinsic job satisfaction. Results from the study indicate that the relationship between LMX and extrinsic job satisfaction is more strongly related when an employee values relationships and the welfare of the organization, which is consistent with Schwartz's (1996) work values theory on self-transcendence values. Furthermore, to the researcher's knowledge, there are no existing studies, which examine the link of one's individual work values on the interpretation of LMX and job satisfaction. The supervisor is seen as an extension of the organization, and when the level of relationship is low, the employee's relationship with the organization is more likely to be disengaged (Memmi, 1974). Therefore, it is important for managers to realize that they represent the organization for their employees, and their level of support and values is concurrent with how their employees view the entire organization.

While it was found that self-transcendence values moderate the influence of LMX on extrinsic job satisfaction, it is worthy to note that self-transcendence values is not directly associated with LMX ($r = 0.05$). This finding suggests that LMX's direct impact on job satisfaction is largely through its dimensions (affect, contribution, loyalty and professional respect) rather than the leader's concern for the general welfare of the organization.

This purpose of this study was to understand and clarify the moderating role of individual work values on the relationship between leader-member exchange and work satisfaction within the American workforce. The question was posed, what do values have to do with it? In summary, values have much to do with the relationship between leadership and employee job satisfaction, specifically as it relates to LMX and extrinsic job factors. The findings reveal two important contributions to the literature including LMX's greater influence on extrinsic job satisfaction and the moderating role of self-transcendence values. This implies that the role of the supervisor in representing the organization is amplified for those employees who possess self-transcendence values. Therefore, supervisors must be cognizant of their level of exchange with employees and its ultimate impact on both the employee and organization.

LIMITATIONS

It is important to understand the results with the perspective of potential limitations of the study. There are at least three limitations identified. The first limitation deals with the nature of a cross-sectional study design, which does not allow for claims regarding the causality of LMX, work values and job satisfaction. Therefore, there is a need for a well-designed longitudinal study, which could further explain the complexity of the relationships examined and potentially make causal inferences. The second limitation is the fact that the questionnaire design can also lead to the halo effect and common method variances. The researcher cannot exclude to mention that the evaluation of one's supervisor will cause the respondent to evaluate all aspects in a similar manner. Podsakoff et al (2009) suggest procedural and statistical measures to be taken to protect against common method variance, such as ordering the questions within the survey in a diverse manner, which the researcher has done.

The third limitation of the study results from the data collection method chosen, which was a convenience sample. Due to the time and resource constraints of the researcher, in order to collect as many sample cases as possible, the snowball method was encouraged to attract more participants. Therefore, the results of the study may be limited in their generalizability. Regarding the sample, it is also important to note that the sample tends to skew towards higher income (>40% of the participants make $90,000+) and well-educated individuals (>50% of the participants hold a bachelors degree or higher). Therefore, it is strongly encouraged for future research to measure the moderating influence of values against a larger and more diverse sample size to allow for greater generalizability.

CONCLUSIONS

This is one of the first studies to examine the moderating effect of an employee's individual work values on the relationship between the perception of LMX and job satisfaction. The findings reveal that employees extend their perception of the organization onto their direct leader, and therefore those whom hold self-transcendence values, will look for the supervisor for greater exchanges and support as they see them as an extension of the values of the organization. The purpose of the study was to determine if values moderate LMX and job satisfaction, and while the results support that self-transcendence values moderate the relationship of LMX and extrinsic job satisfaction, there is an appeal for the study to be completed in a larger and more diverse sample to allow for greater generalizability of the conclusions drawn.

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TRANSITIONING TO A LEAN PARADIGM: A MODEL FOR SUSTAINABILITY IN THE LEASING AND RENTAL INDUSTRIES

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ABSTRACT

Construction, banking, and automobile manufacturing are among the most conspicuous segments of the U.S. economy that have yet to fully recover from the economic upheaval that began in 2007. Another and less obvious casualty is the car rental industry. Macro factors, such as declines in corporate and leisure spending on travel, and industry-specific issues, such as poor fleet management, depressed prices in the used car market, and restricted new car allocations from auto manufacturers, have dealt car rental companies crippling blows. However, survival depends on the fittest---or in this case, the leanest. Like a phoenix emerging from the ashes, car rental companies reported record revenues in 2011. This paper will analyze from a financial perspective the leaner business model developed by the leasing and rental industry. Financial ratios for efficiency, profitability, solvency, and growth will be compared before and after implementation of the leaner business paradigm. Inferences drawn from this analytical review of the industry will focus on cost efficiencies, optimal fleet management, sustainable construction, political costs, and measuring the costs/benefits of going green. Actual data from a small car rental company will provide insights into the specific changes necessary to transition to a leaner operating model and a long-term sustainable business plan.

INTRODUCTION

The automobile rental and leasing industry in the U.S. encompasses approximately 5,000 companies with aggregate annual revenue of $40 billion. This industry is highly concentrated with the 50 largest companies generating more than 80 percent of the total revenue. Major companies include Enterprise Holdings, Hertz Global holdings, Avis Budget Group, Ryder, and U-Haul International. Companies in this industry rent and lease passenger cars, recreational vehicles, trucks (without drivers), and trailers. Many U.S.-based car rental companies have also expanded to include international operations, primarily at international airports and usually through local franchisees. This industry's health is highly correlated to the health of the U.S. economy. Most customers are business or vacation/leisure travelers whose numbers can rapidly decline in an economic downturn.

Approximately 60 percent of the industry's revenue is generated by the rental and leasing of passenger cars. The typical car rental operation has to acquire, maintain, clean, fuel, and repair its fleet cars, and dispose of older cars as well as operating and maintaining a reservation system for acquiring customers. Since the value of the rental asset is high, lean, efficient operations are essential for profitability. Acquiring fleet vehicles is the major financial cost for a rental company. Automobiles may be leased or purchased. Leasing is typically the more expensive option, but requires less capital. Depreciation expense for purchased vehicles is a significant charge on the income statement, typically averaging approximately 30 percent of revenue for large car rental chains. Vehicle purchases are typically leveraged. Highly seasonal revenue is typical in this industry, particularly for operations that cater to vacation/leisure travelers. With continuous vehicle turnover, fleet size for larger rental companies can vary significantly throughout the year. Fleet management is crucial to revenue generation and profitability.

The automobile rental and leasing industry is required to comply with regulations concerning gasoline and diesel storage tanks, disposal of used motor oil, and the treatment of water from car wash facilities before its discharge into sewers. States regulate franchise operations and the selling of insurance coverage on rental cars. Some states, cities, and counties impose surcharges on each vehicle rental.

This paper will explore the significant changes brought about within this industry in response to the recent economic downturn requiring companies to shrink fleet sizes and hold remaining fleet vehicles longer, to implement leaner operating models and to respond to tightening credit markets, weak re-sale prices, higher fuel costs, and weakening demand for air travel. As a case in point, the performance of a local National Car Rental franchise will be analyzed, and its metrics compared to the industry norms.

PRODUCTS AND OPERATIONS

Major services provided include the rental and leasing of passenger cars, accounting for almost 60 percent of industry revenue, and the rental and leasing of trucks and trailers, accounting for approximately 30 percent of industry revenue. Operations are similar for car, truck, and specialty vehicle rentals.

The difference between the acquisition price of fleet vehicles and their residual value when disposed of is critical to the profitability of rental companies. Prior to the current economic slowdown, large companies like Hertz and Avis purchases new cars directly from car manufacturers under repurchase or residual value programs which guaranteed a repurchase price at which cars are taken back by the manufacturer as long as mileage limits are not exceeded (typically 30,000 miles) and cars are in reasonably good condition. Such vehicles are non-risk or program cars. In the past, auto makers sold higher numbers of program cars---cars purchased by rental companies at reduced cost and returned to the manufacturer, usually after six to nine months.

Currently, with the difficulties faced in the automotive industry, lagging consumer sales, and the reorganization of GM, many auto manufacturers offer few, if any, program cars or repurchase programs. Another reason automakers have especially curbed sales of program cars is that rental cars and trucks have flooded the used-vehicle market once taken out of service, depressing prices and residual values. Now, rental car companies have rising percentages of "risk" cars, which are not discounted and must be disposed of by the rental company, often at auction. As the car-rental industry adjusts to a changing business environment, fleet costs have risen more than 40 percent per unit in the past two years as auto manufacturers cut back on less-profitable fleet sales. As the costs of acquiring and maintaining a fleet has risen, resale prices in the used car and auction markets have declined due to increased supply and weak demand. As a result, car rental companies are holding their rental vehicles longer, from 12 to 16 months as opposed to 6 to 9 months. Repair and maintenance costs have risen accordingly. Most major rental car companies rarely kept a vehicle for more than nine months before the downturn, but many are now holding them for more than a year, getting more use out of cars that will no longer fetch what they once did on the secondhand market. Neil Abrams, president of Abrams Consulting Group Inc., which has advised rental car companies for decades, said "It just makes sense to hold onto them longer and let them depreciate until the value is more in line with what the market is willing to pay." [Prada, 2009]

Due to rising acquisition and maintenance costs and tight credit, rental car company fleets have shrunk. Many rental companies cannot borrow money to finance the inventories they would like. At the same time, many franchised dealers cannot get financing to buy thousands of retired rental vehicles at auctions. As wholesale used-vehicle prices and demand fall, rental companies are denied another source of money to buy new vehicles. This also has a negative impact on automakers, especially the Detroit 3, who have typically relied on rental companies to soak up excess inventory. Historically, rental companies have purchased 15 percent of new cars and trucks built by GM, Ford, and Chrysler LLC. With tightening fleets, car availability becomes a concern. Proper fleet management to insure availability is matched to customer demand.

Rental car revenue is fueled not only by the retail rental segment, but also by business from auto dealerships and insurance companies. Manufacturers often include rental cars as a warranty benefit for use when vehicles require service. The insurance industry creates a significant number of rental transactions by referring customers involved in accidents to preferred rental vendors. Therefore, insurance replacement---renting out cars to people whose cars are in the shop for repairs, accounts for a significant amount of car rental revenue.

INDUSTRY METRICS

U.S. corporate profits, an indicator of demand for corporate auto rental and leasing, rose 7.9 percent in the third quarter of 2011 compared to the same period in 2010. The bank prime loan rate, which indicates the rates available to rental companies for vehicle inventory financing, remains at 3.25 percent as of the week of February 10, 2012, unchanged from the same week in 2011. Total U.S. revenue for automotive equipment rental and leasing rose 11.7 percent in the third quarter of 2011 compared to the same period in 2010. The output of U.S. automotive equipment rental and leasing services is forecast to grow at an annual compounded rate of 4 percent between 2011 and 2016. Industry drivers, which may positively or negatively affect industry growth, are energy prices, interest rates, and consumer spending.

Table I: 2010 Financial Ratios
Industry Norms: Public Companies
Data Format: Mean

	All	Small Company (Sales < $1 million)
Company Count	8275	6553
Quick Ratio	1.03	1.26
Current Ratio	1.58	1.93
Current Liabilities to Net Worth	40%	37.8%
Current Liabilities to Inventory	x 3.29	x 3.05
Total Debt/Net Worth	x 1.21	x 1.27
Fixed Assets/Net Worth	x 1.17	x 1.21
Days Accounts Receivable	41	38
Inventory Turnover	x 0.81	x 1.99
Total Assets/Sales	93.8%	79.4%
Working Capital/Sales	9.8%	12.3%
Accounts Payable/Sales	4.2%	2.5%
Pre-tax Return on Sales	2.8%	3.2%
Pre-tax Return on Assets	3.0%	4.1%
Pre-tax Return on Net Worth 6.6%	9.3%	
Interest Coverage	x 1.45	x 1.58
EBITDA/Sales	11.9%	15.6%
Capital Expenditures/Sales	9.5%	13.7%
[First Research, 2012]		

Table II: Financial Ratios Industry Norms: Private Companies Aggregate Count: 275; Small Companies: 69 2008-2011								
	2008		2009		2010		2011	
	All	Small	All	Small	All	Small	All	Small
Quick Ratio	.38	.33	.38	.33	.38	.33	.39	.41
Current Ratio	1	.88	1	.88	1	.88	1.04	1.01
Current Liabilities/Net Worth	69%	20.5%	69%	20.5%	69%	20.5%	78.2%	36.6%
Current Liabilities/Inventory	x9.1	x4.52	x9.1	x4.52	x9.1	x4.52	x9.44	x3.9
Total Liabilities/Net Worth	x1.75	x0.6	x1.75	x0.6	x1.75	x0.6	x1.9	x0.9
Fixed Assets/Net Worth	x1.22	x0.5	x1.22	x0.5	x1.22	x0.5	x1.26	x0.65
Average Collection Period	19.6	.8	19.6	.8	19.6	.8	18	.5
Assets/Sales	132%	131.5%	132%	131.5%	132%	131.5%	31.3%	139.5%
Sales/Working Capital	-0.1	-1.1	-0.1	-1.1	-0.1	-1.1	.1	-0.6
Accounts Payable/Sales	1%	0%	1%	0%	1%	0%	1.4%	0%
Return on Sales	2%	2%	2%	2%	2%	2%	2%	2.7%
Return on Assets	2%	1.5%	2%	1.5%	2%	1.5%	1.6%	1.7%
ROI	12.5%	21%	12.5%	21%	12.5%	21%	10.5%	19.5%
Interest Coverage	1.4	1.9	1.4	1.9	1.4	1.9	1.4	1.9

Liquidity

Liquidity measures for all private companies have remained constant over the period from 2008-2011, with slight improvements in 2011 as measured by the quick and current ratios. Small private companies tend to be less liquid than their larger counterparts; however, in 2011, significant increases in liquidity, as measured by the quick ratio, are achieved by small companies, even exceeding corresponding liquidity for large private companies. Since the quick ratio does not include inventory, typically the least liquid current asset, it tends to be a truer, more transparent liquidity measure than current ratio. The current ratio shows improvement in liquidity for both small and large private companies, with small companies lagging behind their larger counterparts. The improvements in liquidity can be attributed to the implementation of a leaner business model, producing significant cost reductions as non-value added positions, processes, and transactions are eliminated and increases in cash flow as a result of cost reductions and better short term financial management, as demonstrated by the shorter average collection period for Accounts Receivable. Reductions in fleet inventories have also improved company liquidity due to a reduction in the corresponding operating and maintenance costs.

Efficiency

Shrinking fleet inventories and reduction in idle time for fleet vehicles have improved operating efficiency. As a result of the recent economic downturn, many rental companies have closed offices and lay off workers in locations where revenues did not justify the asset investment. The fixed asset/net worth ratios for private companies indicate lower investments in property, plant, and equipment for 2011. Small companies in both the public and private sectors have reduced fixed asset investments, thereby improving asset efficiency. Leaner operations focus on retaining only value-added processes and assets and generating maximum revenue from minimum investment.

Profitability

The profit margin for large and small private rental companies remained unchanged from 2008-2011, with the exception of an increase in profitability in 2011 for small private companies. Likewise, small private companies show a 2011 increase in profitability as measured by the Return on Assets, while larger private companies decline slightly. In the public sector, small companies significantly outperform their larger counterparts in terms of profitability as indicated by higher returns on sales, assets, net worth, and EBITA/Sales. Returns on investment for private companies decline slightly in 2011, due to larger total interest costs as the companies' liabilities increase in relation to equity (shown through increases in the Current Liability/Net Worth and Total Liabilities/Net Worth ratios). Since interest rates are at record lows, debt financing, which also provides tax incentives, is very attractive.

Solvency

Interest coverage for public and private rental companies, both large and small; have remained stable and adequate in relation to industry benchmarks.

Table III shows the car rental industry revenues and average fleet sizes for the period 2001 through 2011. Note that at the beginning of the recent economic downturn in 2007, the average industry fleet size was at its highest level---1.86 million vehicles. Average fleets dropped significantly from 2008 through 2010, reaching a low of 1.629 million in 2010. Revenues remained constant in 2007 and 2008 at $21.49 billion. In 2009, revenues dropped dramatically as leisure/travel and corporate spending declined significantly as the recession deepened, and car rental companies quickly responded by reducing fleet inventories in 2009 and 2010.

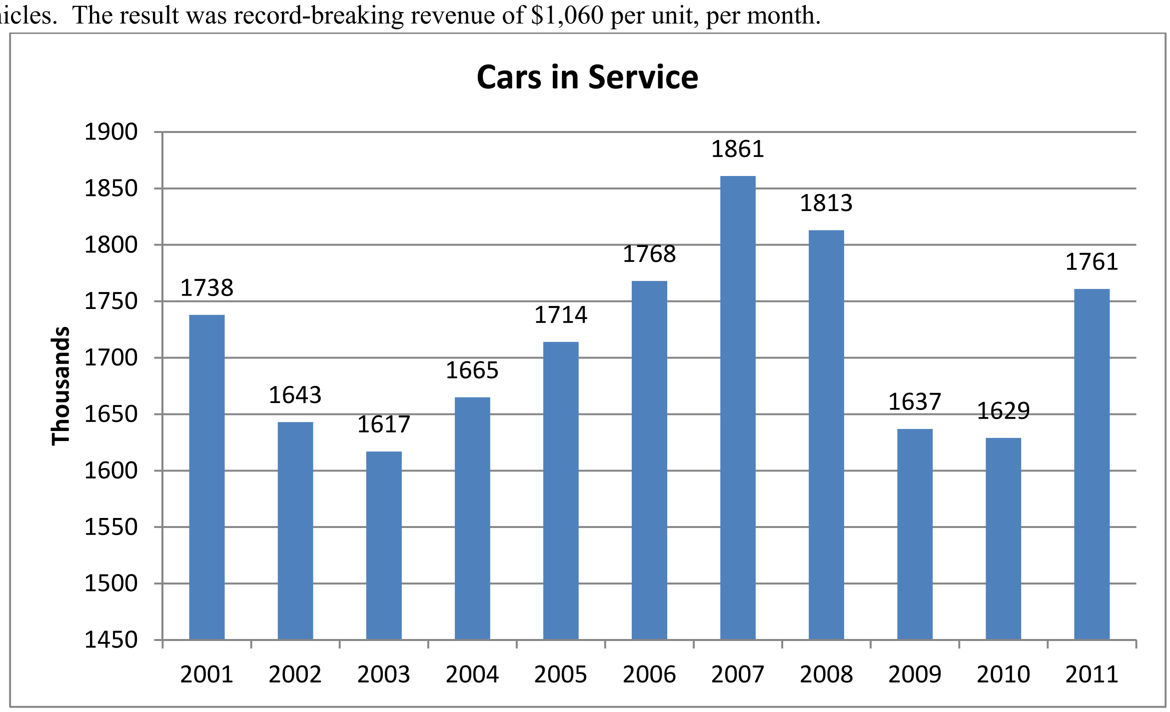
In addition to shrinking fleet sizes to cut inventory investment and operating and maintenance costs, many rental companies also closed offices to reduce fixed asset investment and downsized the workforce. The downturn forced many companies in the industry to analyze their operations, eliminate non-value added locations, assets, and processes, and reduce operating costs. The transition to a leaner business model allowed many car rental companies to survive the recession and continue to operate more efficiency as the economy recovers. Table IV shows revenue per unit (RPU), a key performance indicator for the period 2001 through 2011 [ARN, 2012]. Note that although revenue dropped sharply in 2009 and 2010, average revenue per unit significantly increased during this period as a result of the industry's prompt response to weakened demand by decreasing fleet vehicle inventories. As is true in most industries during an economic downturn, companies holding large inventories tend to fare poorly due to declining revenues, high fixed costs, and a higher breakeven point. Leaner inventory holdings also provide greater operating leverage and flexibility.

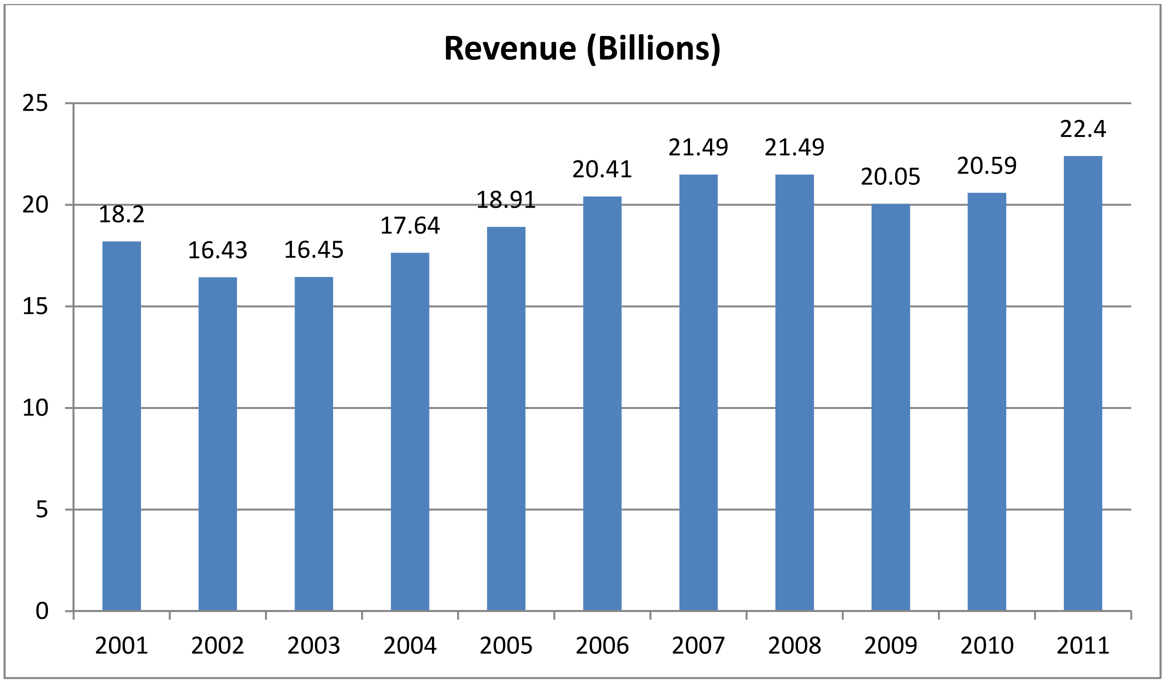
Table V provides total company and local franchise performance measures for a private car rental company. The local franchise is performing very well in 2010 and 2011 in revenue per unit compared to total company benchmarks---a significant improvement from 2009. Compared to industry-wide norms, the total company and local franchise revenue per unit performance are weak. While the local franchise holds on average approximately 20 percent of the company's fleet and generates 20 percent of total company revenues, fleet vehicle utilization is significantly higher for the local franchise, indicating more efficient use of inventory assets.

Table VI provides market data concerning fleet size, revenues, and locations for the leaders in the car rental industry. The companies are listed from largest to smallest.

Table III. U.S. Car Rental Market Data*

In 2011, the car rental industry earned record rental revenue, though with an average fleet of only 1.76 million vehicles. The result was record-breaking revenue of $1,060 per unit, per month.





Source:** ***ARN Fact Book**, 2012.**

Table IV: Car Rental Industry Revenue per unit per month (RPU)

2001	2002	2003	2004	2005	
$ 873	$833	$848	$818	$919	
2006	**2007**	**2008**	**2009**	**2010**	**2011**
$994	$962	$1006	$1042	$1051	$1060

Table V: Private Car Rental Company Statistics Revenue per Unit (RPU)

2009		2010		2011	
Total Company	Local Franchise	Total Company	Local Franchise	Total Company	Local Franchise
$777	$740	$787	$793	$802	$803
Total Revenue					
$2,029,407	$413,155	$2,186,677	$403,495	$2,090,294	$430,267
Average Fleet					
218	47	232	42	217	45
Utilization					
69%	73%	68%	75%	71%	78%

Table VI. 2011 U.S. Car Rental Market* Fleet, Locations, and Revenue				
Company	**U.S. Cars In Service (Avg.)**	**#U.S. Locations**	**2011 U.S. Revenue Est. Millions)(**	**2010 U.S. Revenue (Millions)**
Enterprise (Includes Alamo & National)	920,861	6,187	$11,100	$9,800
Hertz	320,000	2,500	4,241	4,081
Avis Budget Grp	285,000	2,300	4,110	3,900
Dollar Thrifty	118,000	445	1,645	1,628
U-Save	11,500	325	118	102
Fox	11,000	13	140	110
Payless	10,000	32	135	118
ACE	9,000	90	100	100
Zipcar	7,400	128	178	143
Rent-A-Wreck	5,500	181	37	35
Triangle	4,200	28	40	40
Affordable/Sensible	3,300	179	32	34
Independent	55,000	5,350	520	500
Total	**1,760,000**	**17,758**	**$22,396Billion**	**$20,591Billion**
Source:** ***ARN Fact Book**, 2012.**				

As shown in Table VII [Automotive Fleet, 2011], vehicle operating costs vary by geographical region, with the southeast among the lowest. Automobile operating costs include running expenses, standing expenses, and incidental expenses. Running expenses include gasoline, oil, tires, and maintenance. In the southeast, running expenses per vehicle average $0.1267 cents per mile. Standing expenses include fixed costs such as depreciation, insurance, and license fees. Standing fees are incurred regardless of whether the car is used. Standing expenses per month average $487.75 for the southeastern region of the U.S. Incidental expenses encompass washing, parking and storage, and tolls. Incidental expenses per month in the southeast average $1.88. Note that operating costs vary based on the type and size of vehicle, with minivans incurring the highest operating costs, compact cars the lowest and intermediate cars in the middle. The 2010 depreciation expense data indicates the longer average service period for fleet vehicles. Prior to the economic downturn, most fleet vehicles were in service between six and nine months. Currently, given the smaller allocation of new cars from auto manufacturers, the lack of purchase discounts, tighter credit, weak used car markets, political pressure to go green, and rising fuel and maintenance costs, rental companies are holding fleet cars for much longer periods. In the case of compact cars, the average service life is now 33 months. Due to longer service lives, repair and maintenance costs increase along with depreciation. Tax depreciation deductions are greatest in the year of acquisition. Longer holding periods also subject car rental companies to potential downtime on the vehicle as a result of recalls and repairs.

Table VII. 2010 Commercial Fleet Car Operating Costs*			
Region	**Running Expenses**	**Standing Expenses**	**Incidental Expenses**
	Cents/Mile	**$/Month**	**$/Month**
New England	0.1445	$488.89	$2.45
Mideast	0.1538	489.72	2.66
Great Lakes	0.1279	500.12	3.12
Southeast	0.1267	487.75	1.88
Plains	0.1250	489.65	2.97
Southwest	0.1360	470.76	2.34
Rocky Mountains	0.1374	476.57	2.10
Far West	0.1531	524.94	2.92
Avg. Cost, Cars-U.S.	**0.1381**	**491.98**	**2.55**
(Averages are weighted by number of units in each region as well as the number of months and miles reported.) Running expenses include gasoline, oil, tires, and maintenance. Standing expenses are incurred whether or not the car is used and include such fixed costs as depreciation, insurance, and license fees. Incidental expenses include parking and storage, washing, and tolls.			

Compact Car 2010 Operating Costs Total Units: 24,797						
	<24,000 Miles		24,001-48,000 Miles		48,001-80,000 Miles	
	Cents/Mile	$/Mo	Cents/Mile	$/Mo	Cents/Mile.	$/Mo
Gas	0.0911	$143.94	0.0859	$157.62	0.0805	$188.76
Oil	0.0065	7.30	0.0056	8.82	0.0054	8.50
Tires	0.0042	5.63	0.0170	14.22	0.0101	15.75
Maintenance/Repair	0.0105	10.80	0.0173	29.80	0.0253	45.75
Warranty Recovery	(0.0001)	(0.15)	(0.0015)	(0.29)	(0.0005)	(0.87)
Total Operating Costs	**0.1122**	**167.52**	**0.1253**	**210.37**	**0.1208**	**257.89**
Avg. Miles/Mo.: 2,057 Avg. Months in Service: 33 Avg. Cap Cost: $15,633 Monthly Depreciation Cost in CPM: $0.1438						
Source:** ***Automotive Fleet**, 2011.**						

Revenue management and fleet management in the lean business model go hand-in-hand. Companies with multiple locations in a specific geographical market may realize the increased efficiencies of sharing a pool of rental vehicles to more fully utilize each vehicle, improve vehicle availability among locations, maximize revenue, and lower the company's cost of capital.

SUMMARY AND CONCLUSIONS

This paper has examined the impact of the recent economic recession on the car rental and leasing industry. In addition to industry-wide statistics and performance metrics, operating performance for a local franchise of a private rental company has been analyzed and compared over time and across companies. Market segment data has also been presented for this industry.

Macro factors that impact the industry and affect future growth are energy prices, credit availability and interest rates, and consumer spending.

The car rental industry's performance over the past five years involved decline from 2008 to 2009, and a steady recovery in 2010 and 2011. In 2008 and 2009, rising unemployment, falling consumer confidence and frozen credit markets led to declining discretionary income and reduced corporate profitability. Discretionary income affects the number of leisure air travelers and corporate profitability affects the number of business air travelers. Air travelers are the industry's prime market, since a large portion of rental cars are picked up after flights and at airport locations. When these drivers shifted into reverse in 2008, industry revenue suffered.

Many companies within the industry responded by analyzing their operations in order to identify non-value added locations, processes, and markets in order to cut out the fat and implement a leaner business model. The transition to a leaner business paradigm has been characterized by significant shrinkage in vehicle fleet inventories to reduce investment, cut costs, and improve efficiency ratios. In addition to decreasing fleet size, many companies also closed locations and reduced their workforce to lower real estate investment and labor costs as demand declined.

Revenue per day does not exist in a vacuum. Pricing is a function of fleet size. Companies that are under-fleeted will show great revenues per day, but they are also probably leaving revenue on the table. Therefore, overall revenues will suffer, as was the case during the recession when it was hard to get cars. Currently, volume is strong across the board. Higher volumes and utilization usually translate into lower revenue per day. 2012 volume is strong.

The move in the industry is toward "asset light," or low overhead---less brick and mortar and more technology such as virtual kiosks. This move is often a function of off-airport initiatives, which incur lower rates along with lower costs and a longer rent length---hence a net gain to the bottom line. The used car market has significantly improved in the last year and is expected to stay strong through 2012 on lower auction volumes. This will benefit fleet costs.

As an industry, converting to a leaner, more efficient business model has enabled car rental companies to not only survive the economic recession, but to emerge as stronger companies with lower fixed costs and therefore, lower operating leverage and less risk. By reducing locations and other asset investments and cutting operating costs, companies have been able to free up more internally generated cash to improve liquidity, more efficiently utilize assets, and minimize external financing and related costs. By becoming leaner, companies have the resources to explore new markets, such as car-sharing opportunities and the international market as well as off-airport initiatives, and better service customers to improve customer satisfaction and promote brand loyalty.

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