

Volume 5, Number 2

ISSN 1095-6301

ACADEMY OF STRATEGIC AND ORGANIZATIONAL LEADERSHIP JOURNAL

An official Journal of the

Allied Academies, Inc.

Beverly Little
Editor, Organizational Behavior and Leadership
Western Carolina University

Dale Henderson
Editor, Strategic Management and Systems
Radford University

Academy Information
is published on the Allied Academies web page
www.alliedacademies.org

The Academy of Strategic and Organizational Leadership is a subsidiary of the Allied Academies, Inc., a non-profit association of scholars, whose purpose is to support and encourage research and the sharing and exchange of ideas and insights throughout the world.

Whitney Press, Inc.

Printed by Whitney Press, Inc.
PO Box 1064, Cullowhee, NC 28723
www.whitneypress.com

Authors retain copyright for their manuscripts and provide the Academy with a publication permission agreement. Allied Academies is not responsible for the content of the individual manuscripts. Any omissions or errors are the sole responsibility of the individual authors. The Editorial Board is responsible for the selection of manuscripts for publication from among those submitted for consideration. The Publishers accept final manuscripts on diskette and make adjustments solely for the purposes of pagination and organization.

The *Academy of Strategic and Organizational Leadership Journal* is owned and published by the Allied Academies, PO Box 2689, 145 Travis Road, Cullowhee, NC 28723, (828) 293-9151, FAX (828) 293-9407. Those interested in subscribing to the *Journal*, advertising in the *Journal*, submitting manuscripts to the *Journal*, or otherwise communicating with the *Journal*, should contact the Executive Director at www.alliedacademies.org.

ACADEMY OF STRATEGIC AND ORGANIZATIONAL LEADERSHIP JOURNAL

CONTENTS

LETTER FROM THE EDITORS.....	v
STRATEGIC LEADERSHIP AND EMOTIONAL INTELLIGENCE.....	1
Jeffrey J. Bailey, University of Idaho	
INTRINSIC LEADERSHIP THEORY	13
Deborah Manning Barnes, Southeastern Oklahoma State University	
Jane Hicks, Southeastern Oklahoma State University	
MAMMOGRAPHY SCREENING AMONG WOMEN AGES 40 TO 74 IN THE UNITED STATES.....	23
Fevzi Akinci, King's College	
Bernard J. Healey, King's College	
CONTROLLING DELAY THROUGH EXTENSION FEES.....	33
Steven V. Campbell, University of Idaho	
Askar H. Choudhury, Illinois State University	
Douglas J. McGinty, U.S. Department of Commerce	
SOCIAL DUMPING AND INTERNATIONAL BUSINESS ENVIRONMENT.....	43
Nader Asgary, State University of New York-Geneseo	
INSURANCE AT RISK: THE GENOME THREAT.....	53
Bruce Coggins, Truman State University	
Val Larsen, James Madison University	
Neil D. Gilchrist, Truman State University	

ORGANIZATIONAL DOWNSIZING AND THE BUSINESS MANAGER IN A FINNISH CONTEXT: A DISCOURSE ANALYTIC FRAMEWORK AND ITS APPLICATION ...	63
Anna-Maija Lämsä, University of Jyväskylä	
THE ROLE OF STRATEGIC GENETICS FOR STRATEGIC CHOICE.....	85
Claus Nygaard, Copenhagen Business School	
STRATEGIC HUMAN RESOURCE MANAGEMENT: MEASUREMENT SCALE DEVELOPMENT	99
Ken Green, Henderson State University	
Bobby Medlin, Henderson State University	
Reneé Medlin, Quapaw Technical Institute	

LETTER FROM THE EDITORS

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

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

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

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

In this volume, the duties of the Editors have been divided to facilitate the referee process and to allow for more rapid response to the participants. Dr. Little will concentrate her efforts on the organizational behavior and leadership aspects of the manuscripts while Dr. Henderson will devote his attention to the strategic management and systems aspects of the review process. The submission process will occur through info@alliedacademies.org and each editor will receive the appropriate manuscripts for review.

Beverly Little, Editor
Western Carolina University

Dale Henderson, Editor
Radford University

www.alliedacademies.org

Manuscripts

STRATEGIC LEADERSHIP AND EMOTIONAL INTELLIGENCE

Jeffrey J. Bailey, University of Idaho

ABSTRACT

Strategic leadership refers to the process of working with people in directing, developing, and positioning an organization through the realization of a pattern of goals and purposes, and policies to achieve those goals, towards the larger end of maintaining and developing competitive advantage. A great deal of the essence of strategic leadership surrounds the decisions regarding what the organization is going to do to meet market demands in consideration of the competitors, the industry, and one's own financial and competitive situation.

While these remain critically important, the effective leadership of the people within an organization is rapidly becoming a key competitive advantage. Moreover, an executive's emotional intelligence may be the most important variable in explaining differences between average and highly effective leaders (Goleman, 1998a). In this paper the position is advanced that concern for, and skill and ability in, managing emotions is becoming a more significant aspect of effective strategic leadership because of the changing nature of organizational structures, work processes, workforce characteristics, and ways of competing. Reasoning about the linkages between this new work environment and leadership roles associated with emotional intelligence is developed and explained as support for the argument advanced in this paper.

INTRODUCTION

"Reason may be the lever, but sentiment gives you the fulcrum and the place to stand on if you want to move the world."

Oliver Wendell Holmes, Sr., 1872

The role of reason and emotion in making things happen in the world has been the fertile ground for musing, philosophizing, researching, and writing for quite some time. Emotions and reason are not always at ease with each other. At times strong emotions may interfere with rational thinking. Argyris (1990) and others have found that when a person is feeling "threatened" it often interferes with straight thinking. Some would argue that reason and emotion are entirely separable, should be separated, and that the suppression of emotional influence on decision making should be maximal. Yet even those who would prefer to mute the influence of emotion on decisions in organizations will often inaccurately describe behaviors as being rational that were, in fact, emotionally motivated (Kemper, 1993; de Sousa, 1987). Many others believe that there is a great deal of information carried in emotions and as such, both

intellect/reason and emotional influences are often consulted for more effective decision making.

Decision making in organizations is an arena where emotions play a major role - in the choices made and in the experiences of the employees, managers, and customers (e.g. Fineman, 1993). To move the world, leaders need the valuable fulcrum of sentiment.

The premise of this paper is that the effective understanding and use of emotions is increasingly a significant skill required for effective strategic leadership. I discuss strategic leadership, the new work environment, emotional intelligence, and why emotional intelligence is more important than ever for good leadership. This paper extends prior work in three ways.

First, this paper is concerned with the relationship, and importance of, emotional intelligence and the strategic challenges of leadership in organizations. Using the lens of strategic management brings into focus many issues for consideration and extends the research on the relationship between emotional intelligence and leadership (e.g., George, 2000, Goleman, 1995, Goleman, 1998b, Megerian, & Sosik, 1996, Sosik & Megerian, 1999). An example of an issue that is brought into consideration by focusing on strategic leadership is a concern for a company's competitive advantage. The relationship between leaders with emotional intelligence and a company's attempts to gain competitive advantage has not been explored in the previous studies of leadership and emotional intelligence.

Second, this paper extends the research by examining the changing work environment and demonstrating that the changes in attitudes, values, beliefs, and expectations of employees influences the importance of emotional intelligence for effective strategic leadership. Likewise, changes in organizational structures bring increased importance to the emotional intelligence skills of an organization's leader. Bringing these changes to bear on the discussion of the relationship between emotional intelligence and strategic leadership highlights the realities of leadership and human resources management in organizations today and demonstrates the relevance of emotional intelligence in strategic leadership.

Third, the argument that there is an increasing need for high levels of emotional intelligence for effective strategic leadership goes beyond other research that suggests emotional intelligence is important for leadership. The skills associated with higher levels of emotional intelligence are becoming even more valuable for effective leadership as employees' attitudes and values change, organizational structures change, and as organizations seek competitive advantage through their employees.

STRATEGIC LEADERSHIP

Strategic leadership is defined here as the process of working with people in directing, developing, and positioning an organization through the realization of a pattern of goals and purposes, and policies to achieve those goals, towards the larger desired state of maintaining and developing competitive advantage. A great deal of the essence of strategic leadership surrounds the decisions regarding what the organization is going to do to meet market demands in consideration of the competitors, the industry, and one's own financial and competitive situation.

Strategic leadership is more specifically directed at maintaining and developing competitive

advantage than usual definitions and discussions of leadership. It is an ongoing, complex process of stewardship of an organization.

While good, effective strategic leadership can be described as entailing numerous desirable characteristics, a rather significant aspect of those characteristics is the ability to get the best performance from the resources at hand. Not in a manipulative manner, but in a very positive sense of creating the most value a leader must get the best performance from the resources of the organization. This is no easy task. It involves excellent information, analysis, and understanding of such complex issues as current and future market demands, competitors, the industry, one's own organization's competencies and weaknesses, and a host of other concerns. Furthermore, that understanding needs to be applied in a way that one's own organization can create value in the marketplace. Thus the decisions about the resources needed, how to acquire them, how to transform those resources into marketable services and products, and how to get them distributed and sold comprise one, important, part of the larger task of strategic leadership.

There has been, and continues to be, a great deal of research and writing on leadership. In fact, George (2000) reports that leadership is one of the most researched topics in the organizational sciences. Numerous reviews of the leadership literature have been conducted (e.g.'s, Bass, 1990; Northhouse, 1997; Yukl & Van Fleet, 1992). A typical leadership literature review identifies several paradigms from which leadership has been examined. There are numerous perspectives on the role of leaders in organizational performance. This results in numerous perspectives on how leaders positively influence their employees and their organizations. For example, some research looks to the traits of leaders to explain leadership. Major leadership traits that have been identified include intelligence, self-confidence, determination, integrity, and sociability (Northhouse, 1997).

Others have rejected the trait theories of leadership and have focused on a "process" perspective to leadership. Generally the process theorists identify particular types of leader behaviors that tend to lead to the best outcomes in particular contexts. The differences in the contexts are typically found in the type of work performed, the characteristics of the employees, and other characteristics of the situation. Thus, effective leadership behavior would be dependent on the situation, or context, of the leadership.

Another group of researchers view real leadership as transformational or charismatic in nature and emphasize that leadership is a process between leaders and followers. Transformational theorists place a great deal of importance on the needs, values, and morals of the followers (Northhouse, 1997) and as such recognize that attention to emotional aspects of followers contributes to what constitutes effective leadership. Likewise, the path-goal theory emphasizes the enhancing of employee performance and satisfaction through behaviors that influence employee motivation (House, 1971; House & Dessler, 1974; Northhouse, 1997). The different perspectives on leadership should not be seen as right and wrong, but rather should be carefully viewed as contributing, from a variety of directions, insight into leadership. Despite the vast amount of existing research we still have the challenge of understanding how, why, and when leaders will have positive influence on followers (George, 2000).

Leadership research and strategic management research have not always emphasized the same aspects of leadership. The majority of leadership research has centered on behavioral issues and concerns itself with a variety of elements and dynamics between leaders and followers. The strategic management research often focuses on the leader's ability to appropriately decide on an organization's overall directions to take, strategies to pursue, markets to compete in, decisions on how to allocate financial and physical resources, and a host of direction-setting, goal-setting, and implementation concerns. Strategic leadership includes components of both the leadership of the company's non-human resources (financial, technological, physical, and so on) and the leadership of people. The only way to effectively use the non-human resources of the company is through people. People are the most significant variable in the implementation of strategic plans. People are not one of several resources at the disposal of a company's leaders. Rather, people and resources are the two separate major leadership considerations that are instrumental in the execution of strategy and for effective strategic leadership.

THE NEW WORK ENVIRONMENT

The new work environment is characterized by changes in the competitive landscape as well as by changes within an organization. As Porter (1998, p.1) describes it, competition is one aspect of the external environment that "has intensified dramatically over the last decades, in virtually all parts of the world." In developing economies and advanced nations alike there has been great change leading to ever more intense competitive forces. While there is a vast literature on this, one summation could be that there is more fierce competition and fewer protections in this era approaching (but still a long way away from) world free trade. This is good news for consumers. However, this is a strategic leadership challenge for businesses. There are numerous forces, including technology, globalism, changing customer expectations, and others that are driving rapid change in industry after industry (Nadler, 1992). From a business point of view, the environment within which we compete is becoming an increasingly competitive and challenging landscape.

At the same time as the pressures from outside the organization are drawing the needed attention of leaders, the environment inside of organizations is changing rapidly. The new work environment includes people with similar hopes and aspirations as in the past but who have developed different expectations and beliefs about jobs, work, and organizations. Many employees have first hand experience with restructuring, layoffs, downsizing, and a host of other initiatives that have led to changes in how employees view their relationship with organizations (Bencivenga, 1997; Brotherton, 1997; Tyler, 1997). Leaders who have been through downsizing in their organizations have been turning to contingent workers to avoid the need for downsizing in the future. The contingent workers are perceived to be less committed, contribute to a lowering of employee morale, and have higher turnover (Grossman, 1998). Also, the stream of labor has slowed to a trickle and will continue anemic-like growth until at least 2006, creating the tightest labor market in 40 years (Adams, 1998). Recruiting, hiring, and retaining good

employees has already become one of the most difficult of challenges for effectively competing in many industries and will continue as a major challenge.

Companies are also restructuring. This results in changes in how, when, and what work is being performed and contributes to change in the internal work environment that leaders face in their organizations. The tall corporate hierarchical structure has given way to broad, flatter structures and a host of new coordination and integration designs. To remain competitive, many companies are shifting structures (Quinn, Anderson, & Finkelstein, 1998). These new structures create different relationships between leaders and employees. The new structures lead to employees working with leaders as compared to for leaders. Hence, how a leader effectively influences employees may be different now than in the past. With the advent of these new organizational structures, building trust and commitment to work projects, if not the organization itself, is a necessary element in its successful operation (Creed & Miles, 1996). Employees' access to leaders has been greatly enhanced, resulting in increased interaction between leaders and employees. Moreover, people are recognizing leaders at all levels of the organization, which in turn is transforming our ideas about what it means to be a leader.

There is a greater degree of interaction among company leaders and employees at the same time that there are changing attitudes, beliefs, values, and expectations on the part of the employees. There are numerous studies demonstrating the increasing expectations employees have from their employers and the decreasing loyalty and commitment employees have for their employers. Shellenbarger (2000) reports that employees leave companies for "soft" reasons such as feeling they are not being shown respect by their employer. She reports that Watson Wyatt Worldwide finds trust in leaders is one of the two most powerful drivers of employee commitment. Employees also report "care and concern for employees, fairness and trust" are the areas needing the most attention by leaders. Shellenbarger (2000) further reports that only 24% of employees expressed commitment to their companies and planned to stay for at least two years, according to a Hudson Institute and Walker Information survey of 3000 employees. Numerous studies and surveys demonstrating these types of changes in employee attitudes are reported every week in the business press. These, and other changes in the workplace, are contributing to an increase in the need for effective interpersonal skills, especially those that are encompassed in the construct of emotional intelligence.

EMOTIONAL INTELLIGENCE

Emotional intelligence is a construct that refers to the overall process and outcomes resulting from the application of a person's emotional management and a person's ability to positively influence emotions of others. While emotional intelligence has been construed to mean several different things, Goleman (1995) provides us with a widely accepted view of emotional intelligence that consists broadly of five competencies. The five competencies of emotional intelligence include self-awareness, self-regulation, motivation, empathy, and social skills. Self-awareness refers to knowing one's internal states, preferences, resources, and intuitions. Self-regulation refers to managing one's internal states, impulses, and resources.

Motivation refers here to emotional tendencies that guide or facilitate reaching goals. Empathy refers to awareness of others' feelings, needs, and concerns. And, finally, the competency of "social skills" refers to adeptness at inducing desirable responses in others.

Emotional intelligence is seen as a more specifically affect-oriented aspect of what has, in the past, been referred to as social intelligence. Emotional intelligence involves the ability to monitor one's own and others' emotions; to discriminate among the positive and negative effects of emotion; and to factor emotional information into one's thinking, problem solving, and other actions (Salovey & Mayer, 1993). Mayer and Salovey (1997) also describe emotional intelligence as being descriptive of one's ability to use both emotions and reasoning together. Emotions can effectively influence our reasoning and we can think about emotions thus applying reasoning to our emotional experiences. The result of such abilities is an improved ability to get along with others and function effectively in organizations. Other results of such abilities include more pro-social and helpful behaviors, more considerate behaviors, better self-control, and better conflict-resolution skills.

Through an analysis of several works of Mayer, Salovey, and their colleagues, George (2000) summarizes four major aspects of emotional intelligence. The first is the appraisal and expression of emotion. This involves having awareness of one's own and of others' emotions and of being able to accurately express these emotions. The second is the use of emotions to enhance cognitive processing and decision making. This involves the use of emotions to direct and focus attention and to facilitate making choices. Also, the use of shifts in emotions can be useful to decision making by applying a broader perspective to the problem and enhancing the generation of alternatives. George (2000) identifies the third major aspect as knowledge about emotions. This includes knowledge about the causes of emotions, the consequences of emotions, and how emotions progress over time. The fourth major aspect is identified as the management of emotions. Negative mood repair and positive mood maintenance in one's self and in others is seen as an important part of the management of emotions. Each of these aspects of emotional intelligence serve leaders well and involve important behavioral consequences for those with whom the leader seeks to influence.

STRATEGIC LEADERSHIP AND EMOTIONAL INTELLIGENCE

Leadership involves getting work done through working with and influencing others. In fact, working well with others (one consequence associated with higher emotional intelligence) is becoming more crucial as organizations have become more reliant on teams as a typical work unit. With specialized members contributing to a team output, productivity depends on working together and maintaining a high level of interpersonal coordination. Goleman (1995) describes a study done at Bell Labs to illustrate the importance of emotional intelligence for effective job performance. At Bell Labs, the "stars" (most effective in overall work performance) were differentiated from non-stars by the interpersonal strategies used to get their work done, their ability to see things from the perspective of others, and being self-motivated or taking initiative (Kelley & Caplan, 1993). Each of the characteristics that differentiated the stars from non-stars

represented an emotional intelligence competency. Moreover, the stars were considered leaders within their groups. While the above description briefly introduces the concept of emotional intelligence, the following section will further elaborate on emotional intelligence as it relates to strategic leadership.

The effective execution of strategy depends highly on the people who work for the organization. The consequences resulting from the changes in several areas of modern business life generally provide the reasoning for the proposed increasing need for high levels of emotional intelligence for successful strategic leadership. In particular, changes in attitudes and beliefs about jobs, work, and organizations; changes in attitudinal, social, cultural, and demographic characteristics of the workforce; changes in organizational structures to meet competitive challenges, changes in the forms of sustainable competitive advantage; and others result in an increased significance of emotional intelligence for effective strategic leadership.

An issue that arises out of the recent research on emotional intelligence (see for example Ashkanasy & Tse, 1998; George, 2000, Goleman, 1998a; and Goleman, 1998b) is the relative importance of various managerial skills, roles, and/or functions. A particular question arises as to whether the relative importance of various leadership roles has shifted such that the "soft" skills of emotion management have become relatively more important. Many executives think they have. If this is the case then some other role(s) must have become relatively less important.

By importance we are referring to the extent to which certain aspects of leadership affect how and why leaders have a positive influence on their followers and their organization's competitive advantages. It may be that specific, technical know-how or efficiency know-how affects a leader's ability to positively influence less than in the past. It has long been shown that senior executives need conceptual, human, and technical skills but that they need more human skills relative to lower level managers (see any introductory management textbook for an elaboration on this assertion). A leader's ability to understand and work effectively with employees with a wide range of sentiments may have more of an impact on his/her ability to positively influence them and the organization.

There are several others who are advancing a claim that emotional intelligence is a significant aspect of effective leadership. An example of this can be found in Cooper and Sawaf's (1998) book, *Executive EQ: Emotional Intelligence in Leadership and Organizations*. Cooper and Sawaf (1998) contend that emotional intelligence will be for the next century what intelligence has been for the past century. Their addressing of emotional intelligence deals with developing one's own EQ (emotional intelligence) with four cornerstones of focus. The first is emotional literacy defined as the building of "a locus of personal efficacy and confidence through emotional honesty, energy, awareness, feedback, intuition, responsibility, and connection" (Cooper & Sawaf, 1998, p. xxvii). The second is emotional fitness characterized as the building of authenticity, believability, and resilience as well as improving one's trust, listening, managing of conflict, and dealing with constructive discontent. Cooper and Sawaf present the third cornerstone as emotional depth - working towards aligning one's personal life and work with one's own unique potential and purpose. The fourth cornerstone is described as

emotional alchemy. Emotional alchemy is characterized as building and developing the abilities to flow with challenges, see opportunities, and create the future.

Several other researchers have also reported on the importance of emotional intelligence for leadership, especially transformational leadership. Ashkanasy and Tse (1998, p.7) argue that transformational "leadership leads to more effective personal outcomes for followers..." They continue that transformational leaders develop relationships with their followers that are higher quality and based, in part, on greater sensitivity towards followers. Ashkanasy and Tse (1998) contend that the three key aspects of emotional intelligence (as conceived by Salovey and Mayer (1990) to be ability to appraise and express emotion, ability to regulate emotion, and ability to utilize emotion in the right manner) bear resemblance to requisite characteristics of transformational leaders. Sosik and Megerian (1999) found that self-awareness is important to strong relationships between predictors of emotional intelligence and subordinates' ratings of their leader's transformational leadership behaviors. A leader with higher emotional intelligence will be better able to engender a higher level of positive emotions within the organization. The negative extreme, that of a ranting, raving boss with no concern for the employees' feelings, may offer a more persuasive view of the impact a leader's emotional intelligence can have on the people in an organization. The growing body of literature pointing to a strong connection between a leader's emotional intelligence and the effectiveness of that leader is, in itself, suggestive of support for the conclusion of this paper, i.e., that the relationship is becoming increasingly stronger.

Eden and Ackerman (1998, p. 29) emphasize that a "central element of making strategy is the extent to which members of an organization can develop a balance of both emotional as well as cognitive commitment to the strategy." Good strategic leadership includes understanding and skill in cognitive and emotional matters. To really lead people requires an emotional commitment that will arguably be more likely to develop out of a leader with a relatively higher emotional intelligence. The goals and purposes that employees accept, and that will ultimately determine what the company accomplishes and develops as competitive advantages, have emotional commitment requirements.

A competitive advantage is one that is difficult for competitors to copy, among other things. One form of advantage that is extremely difficult to copy is that of a strong, strategy-supportive, organizational culture. An organization's culture consists of shared values, feelings, beliefs, norms, and understanding related to all kinds of business-relevant concerns. Several aspects of emotional intelligence suggest that a leader with greater levels of it will be much more capable of encouraging and developing a sense of shared values and feelings among his/her employees. For example being able to better understand and empathize with others results in more sensitive interaction as well as improved ability to utilize emotions in appropriate manner, such as to inspire and motivate the employees.

The organizational structures evolving out of necessity in the pursuit of developing and positioning organizations such that they realize competitive advantages has resulted in much closer relationships between leaders and followers. Advances in communication, information, and other forms of technology have provided the effective means for many structural changes,

and contributed to the rapid pace of change that will likely continue for some time. At the same time, a lot of people have developed some new expectations and attitudes about the work place that make effective leadership more critical. So the relationship between leaders and followers is taking on a quantitatively and qualitatively new nature. Leaders have more opportunity to influence followers in positive and negative ways. This is particularly important in light of Fineman's (1996) note that even small changes in employees' moods result in improvements in task perception and decision making (Argyle & Martin, 1991); reduced absenteeism and turnover while increasing pro-social behavior at work (George, 1991); and improvements in conflict resolution (Baron, 1993). The emotional influence a leader has on employees matters a great deal.

In conclusion, the changing nature of leadership (in closer communication, more contact with employees at all levels, and others), changing employee expectations and values (expecting more of the "soft" rewards from work such as appreciation and respect, as well as other changes), and the changing nature of organizational structures and processes (flatter organizational structures, more team-based work, and others) are all interacting and contributing to an increased importance of emotional intelligence for effective strategic management. Competitive advantage, through people, begins with leaders who demonstrate high levels of emotional intelligence. A company's ability to maintain superior talent will be the main source of competitive advantage in the future (Chambers, Foulon, Handfield-Jones, Hankin, & Michaels, 1998). Furthermore, the best way to "maintain superior talent" is to work on developing the "right organization" such that leaders work with existing employees (O'Reilly & Pfeffer, 2000) in emotionally intelligent ways to motivate and inspire the employees. As maintaining and developing competitive advantage relies more heavily on the people in an organization, the need for emotionally intelligent leaders is increasingly important for effective strategic leadership.

Acknowledgment

I gratefully acknowledge research support in the form of a summer research grant from the College of Business and Economics at the University of Idaho.

REFERENCES

- Adams, M. (1998). The stream of labor slows to a trickle. *HRMagazine*, 43(11), 84-89.
- Argyle, M. & Martin, M. (1991). The psychological causes of happiness. In F. Stack, M. Argyle, & N. Schwarz, Eds., *Subjective Well-Being*. Oxford: Pergamon Press.
- Argyris, C. (1990). *Overcoming Organizational Defenses*. Boston: Allyn and Bacon.
- Ashkanasy, N. & Tse, B. (1998). *Emotional dimensions of charismatic leadership*. Paper presented at the First Conference on Emotions and Organizational Life. San Diego, CA, August.
- Baron, R. (1993). Affect and organizational behavior: When and why feeling good (or bad) matters. In J. Murnighan, Ed., *Social Psychology in Organizations: Advances in Theory and Research*. Englewood Cliffs, NJ: Prentice-Hall.
- Bass, B. M. (1990). *Handbook of Leadership: Theory, Research, and Managerial Applications*, (3rd ed.). New York: Free Press.
- Bencivenga, D. (1997). Employers & employees come to terms. *HRMagazine*, 42(6), 91-97.
- Brotherton, P. (1997). For many part-times, less is more. *HRMagazine*, 42(6), 102-106.
- Chambers, E. G., Foulon, M, Handfield-Jones, H., Hankin, S. M., Michaels III, E.G. (1998). The war for talent. *McKinsey Quarterly*, 3, 6.
- Cooper, R. & Sawaf, A. (1998: paperback). *Executive EQ: Emotional intelligence in leadership and organizations*. New York: The Berkley Publishing Group.
- Creed, D. E. & Miles, R. E. (1996). Trust in organizations: A conceptual framework linking organizational forms, managerial philosophies, and the opportunity costs of controls. In R. Kramer & T. Tyler (Eds.), *Trust in Organizations*: 16-39. Thousand Oaks: Sage Publications.
- de Sousa, R. (1987). *The Rationality of Emotion*. Cambridge, MA: MIT Press.
- Eden, C. & Ackermann, F. (1998). *Making Strategy: The Journey of Strategic Management*. London: Sage Publications.

-
- Fineman, S. (1993). Organizations as emotional arenas. In S. Fineman (Ed.), *Emotion in Organizations*: 9-35. Newbury Park, CA: Sage.
- Fineman, S. (1996). Emotion and organizing. In S.Clegg, C. Hardy, & W. Nord, (Eds.), *Handbook of Organizational Studies*. London: Sage.
- George, J. (1991). State or trait: Effects of positive mood on prosocial behavior at work. *Journal of Applied Psychology*, 76, 299-307.
- George, J. (2000). Emotions and leadership: The role of emotional intelligence. *Human Relations*, 53(8), 1027-1055.
- Goleman, D. (1995). *Emotional Intelligence*. New York: Bantam Books.
- Goleman, D. (1998a). What makes a leader. *Harvard Business Review*, (November-December) 93-102.
- Goleman, D. (1998b). *Working with Emotional Intelligence*. New York: Bantam Books.
- Grossman, R. (1998). Short-term workers raise long-term issues. *HRMagazine*, 43(5), 81-89.
- House, R. (1971). A path-goal theory of leader effectiveness. *Administrative Science Quarterly*, 16, 321-328.
- House R. & Dessler, G. (1974). Path-goal theory of leadership: Some post hoc and a priori tests. In J. Hunt & L. Larson (Eds.), *Contingency Approaches in Leadership* (pp. 29-55). Carbondale: Southern Illinois University Press.
- Kelley, R. & Caplan, J. (1993). How Bell Labs creates star performers. *Harvard Business Review*, (July-August).
- Kemper, T. (1993). Reasons in emotions or emotions in reason. *Rationality and Society*, 5(3), 275-82.
- Mayer, J. D. & Salovey, P. (1997). What is emotional intelligence: Implications for educators. In P. Salovey and D. Sluyter (Eds.), *Emotional Development, Emotional Literacy, and Emotional Intelligence*, 3-31. New York: Basic Books.
- Megerian, L. E. & Sosik, J. J. (1996). An affair of the heart: Emotional intelligence and transformational leadership. *Journal of Leadership Studies*, 3, 31-48.

- Nadler, D. A. (1992). Introduction: Organizational architecture: A metaphor for change. In *Organizational Architecture*. San Francisco: Jossey-Bass Publishers.
- Northouse, P. G. (1997). *Leadership Theory and Practice*. Thousand Oaks: Sage Publications.
- O'Reilly III, C. A. & Pfeffer, J. (2000). *Hidden Value: How Great Companies Achieve Extraordinary Results with Ordinary People*. Boston: Harvard Business School Press.
- Porter, M. (1998). *On Competition*. Harvard Business School Publishing: Boston, MA.
- Quinn, J.B., Anderson, P., & Finkelstein, S. (1998). New forms of organizing. In H. Mintzberg & J. Quinn (Eds.), *Readings in the Strategy Process*: 162-174. Upper River Saddle, NJ: Simon & Schuster.
- Salovey, P. & Mayer, J. (1990). Emotional intelligence. *Imagination, Cognition, and Personality*, 9, 185-211.
- Salovey, P. & Mayer, J. (1993). The intelligence of emotional intelligence. *Intelligence*, 17: 433-442.
- Shellenbarger, S. (2000). To win the loyalty of your employees, try a softer touch. *The Wall Street Journal*, 1/26/00, B1.
- Sosik, J. J. & Megerian, L. E. (1999). Understanding leader emotional intelligence and performance. *Group & Organization Management*, 24(3), 367-391.
- Tyler, K. (1997). Prepare managers to become career coaches. *HRMagazine*, 42(6), 98-101.
- Yukl, G. & Van Fleet, D.D. (1992). Theory and research on leadership in organizations. In M. D. Dunnette and L. M. Hough (Eds.), *Handbook of Industrial and Organizational Psychology, Vol. 3*: 147-197. Palo Alto, CA: Consulting Psychologists Press.

INTRINSIC LEADERSHIP THEORY

Deborah Manning Barnes, Southeastern Oklahoma State University
Jane Hicks, Southeastern Oklahoma State University

ABSTRACT

Organizations now need a wider range of adaptive responses from their leaders, due largely to the challenges of managing in a rapidly changing global environment. To support adaptation, a theory of leadership is needed that transcends traditional gender-based models of behavior. Insights from the fields of philosophy, psychology, organizational theory, and leadership studies are used to support intrinsic leadership theory (ILT), and to derive a leadership model that incorporates both masculine and feminine leadership styles.

An axiom of ILT is that gender roles are culturally determined and that, absent social restraint, both men and women have intrinsic ability to exhibit the full range of human behavior.

ILT supports an interrelated set of hypotheses related to the organization's need to exploit the widest possible range of adaptive behaviors.

INTRODUCTION

Much leadership research deals either explicitly or implicitly with gender. Here we argue that humans have the intrinsic ability to adapt to situations by combining feminine and masculine responses. Insights from the fields of psychology, organizational theory, philosophy, and leadership studies are used to support the development of intrinsic leadership theory.

Intrinsic leadership theory (ILT) is based on the assumption that organizations now need a wider range of responses from their leaders, due largely to the challenges of managing in a fast-changing global environment. In a world where the pace of change grows geometrically, organizations cannot rely on extensive rules and standard operating procedures. A more flexible, situational approach is required. A theoretical basis for incorporating a range of responses from its leaders allows organizations to get the best of both masculine and feminine styles. An axiom of intrinsic leadership theory is that gender roles are culturally determined and that, absent social restraint, both men and women have intrinsic ability to exhibit the full range of human behavior.

REVIEW OF LITERATURE

Literature is reviewed that points to the need for a flexible model of leadership that reflects intrinsic human ability. First, a model of traditional gender stereotypes is generalized from four major fields of study.

Table 1: Traditional models of leadership				
	Philosophy	Psychology	Organization	Leadership
Masculine	Order/Hierarchy	Domination	Bureaucracy	Task-oriented
Feminine	Spheres of influence	Submission	Networks	Relationship-oriented

Philosophy

The assumptions underlying a great deal of traditional Western thought on economic life and gender roles are based on the philosophy of ancient Greek culture, particularly the writings of Aristotle. An organizing theme of Aristotle's philosophy was the concept of order and how it is expressed in the natural world. Rather than expanding the concept of ideal forms proposed by his teacher Plato, Aristotle's philosophical intent was to explain why the world is the way it is. He asserted that women are naturally inferior because they are lower in the hierarchy of natural forms. Lacking the life principle of soul, "the female is as it were a deformed male" (Aristotle, trans.1921). This assertion was unquestioned in its day, being woven so perfectly into the fabric of Greek culture.

Philosophy, especially the philosophy of power, has long been intertwined with religious and spiritual views. The revolutionary thought of Jesus Christ three centuries after Aristotle was insufficient to overcome the combined misogyny of Greek, Hebrew, and Arabic cultures. The radical and liberating message, "...there is neither bond nor free, there is neither male nor female, for ye are all one in Christ Jesus." (Galatians 3:28, King James Version) was subverted by the fathers of the Christian church into messages that asserted women's natural inferiority.

The early fathers of the Christian church, especially Saint Augustine, established a spirit/body dichotomy that placed men and women in opposition. Men were symbolized as spiritual and admonished to avoid all things feminine, symbolized by the naturally inferior corrupt flesh. The tendency to associate men with superior symbols and women with inferior symbols is with us still. This idea affects leadership styles and power relationships on an everyday, worldwide basis. According to Gerda Lerner (1986), "History gives meaning to human life and connects each life to immortality, but history has yet another function. In preserving the collective past and reinterpreting it to the present, human beings define their potential and explore the limits of their possibilities."

The struggle to define human potential and the essence of adaptive leadership can be conceptualized as a search for more enlightened symbol systems. Symbolizing the feminine half of human nature as inferior has stifled women's ability to assume leadership roles in obvious ways and, less obviously, has restricted men's responses. Religious leaders and philosophers who seek to justify "the way things are" have made it very difficult for men to promote values of nurturing and cooperation, rather than war and competition. Men have been abjured from descending from their higher authority and letting the "heart" rule the "head".

Masculine stereotypes have limited men in other ways as well. In ancient times, men were scorned for even listening to women. Literary examples of this are overwhelming, with no significant challenge until Chaucer introduced the idea of a serious, if unequal, partnership between Troilus and Cressida. (Chaucer, 1380). Men have been expected to bear all the burdens of public life without recourse to the talents of their natural allies, the women in their lives.

Writer and social commentator Garry Wills (1990) argues that by the middle of the nineteenth century, life in America had been divided into two distinct spheres of influence based on gender. The feminine sphere of influence included culture, morality, and the family. In contrast, masculine territory included business, public affairs, and government. Alexis de Tocqueville's (1899) analysis of the "female" domain included what could properly be said in front of children or with ladies present. Tocqueville also noted the widespread hypocrisy accompanying male deference to feminine moral standards.

Due to pervasive global communications, women can no longer be easily relegated to separate parts of the community or to a pre-established sphere of influence. World news brings the formerly male spheres of war, politics, and business directly into the home. Women's increasing opportunity in the Western world to work outside the home for compensation has bridged the male and female spheres, so evident during Tocqueville's visit to America in 1899. The philosophy of creating spheres of influence that women bring to the marketplace is a useful complement to the traditional male-based philosophy of creating order through hierarchies. Promoting teamwork is a current organizational emphasis that has the potential to integrate the strengths of both hierarchies and spheres of influence.

Recent research conducted by Deborah Barnes (1996) implies that self-managed work teams can be used to make transitions from formal reporting structures to a more flexible use of authority within organizations. One hypothesis of intrinsic leadership theory is that spheres of influence inherent in teamwork reduce formality of structure in organizations.

Psychology

Today's wider range of opportunities for women has left both men and women feeling uneasy about how their choices affect community and family. The opposition of family and career can be restated as maintaining relationships versus climbing the ladder of success. This opposition dehumanizes the family and robs organizations of valuable leadership skills acquired in managing community and family commitments. A blending of traditional gender-specific roles is needed to strike a healthy balance between personal and professional life for both men and women (Covey, 1997). However, as long as work inside the home is considered inferior to work outside the home, the family member leaving home to work will likely be considered the dominant partner.

Much of the gender-based research in philosophy, psychology, and communication focuses on social traditions that subordinate women. However, the larger community is poorly served by traditions that prescribe submission for one gender and dominance for the other. The

submission of men to other men based on assigned authority, and the submission of women to men based on "natural" authority, sets up a win/lose situation both for individuals and the larger organizations they serve.

One hypothesis of intrinsic leadership theory is that seeking to negotiate win/win agreements rather than seeking to establish dominant relationships with win/lose agreements will be more successful in maintaining long-term relationships in the international business sphere.

Organization

Organizations assume different structures based upon many variables, including the environment in which they operate, the management style of executives, the work processes being performed, and the primary characteristics of the workforce. It is important to align organizational structure with internal and external demands. Unfortunately, many organizations ascribe to a traditional structure without considering the full range of critical variables.

Two extremes in organizational structure, bureaucracies and free-form networks, are contrasted to illuminate the need to integrate these models. Bureaucracies can typically be represented as neat boxes of assigned tasks with many layers of well-defined authority. Directives are issued from the top of the organization. Chain of command controls interaction and cross-functional relationships outside direct lines of authority are discouraged.

In contrast, networks enable work, information, and decision making to flow as needed in response to the environment. Peters and Waterman (1982) suggest that an organization is more effective when upper management groups and subgroups hold a shared vision. Networked interaction can promote responsibility, commitment to the mission, and win/win solutions by minimizing conflicting agendas and territorial battles. However, a networked organizational structure can become cumbersome as too many people become involved in certain transactions that could be more efficiently resolved in a bureaucratic structure.

In discussing post-bureaucratic organizations, Anne Donnellon and Maureen Scully (1994) argue that more flexible organizational forms are necessary to meet ever-changing global markets. In the process, it is expected that some of the predictability and control of the traditional bureaucratic form of organization will be lost. Barnes and Yeatts (1998) suggest that businesses can benefit from organizing into a flexible model to encompass both bureaucratic and networked structures.

Leadership

Leadership styles are contrasted as task-motivated or relationship-motivated. Based on Fiedler's contingency model of leadership, task-motivated leaders emphasize getting the job done (Fiedler, 1978). When task-motivated leaders experience failure themselves or within their groups, they tend to be very harsh in judging subordinates. (Rice, 1978a, 1978b). When the task is going well, however, the task-motivated leader is comfortable with details and with monitoring routine events (Fiedler & Chemers, 1984).

Relationship-motivated leaders rate coworkers more positively, indicating that although the task may be important, other factors are more important. Fiedler found that relationship-motivated persons draw their self-esteem from interpersonal relations. Relationship-motivated leaders prefer a coworker who is loyal and supportive rather than competent (Rice, 1978a, 1978b). As with task-motivated leaders, these tendencies are exaggerated in times of crisis or when the person is under pressure. The relationship-motivated leader is easily bored with details (Fiedler, 1978; Fiedler & Chemers, 1984) and is often the focus of social interactions (Rice, 1978a, 1978b).

At the core of Fiedler's contingency model is the concept of match. Results are effective when the leader's orientation matches the situation. The contingency model predicts that as the situation changes, task-motivated or relationship-motivated leaders can find themselves out of match. Whether task- or relationship-motivated, the leader's effectiveness will change as the situation changes. The literature suggests the hypothesis that the most effective leadership style to support the work of organizations is a blend of task- and relationship-motivated leadership appropriate to the situation.

INTRINSIC LEADERSHIP THEORY (ILT)

The preceding review of literature and history contrasts traditional male and female stereotypes and suggests that intrinsic behavior promotes a more adaptive leadership style. The term intrinsic represents the natural ability of either gender to adapt to varying situations. The following model provides a more natural view of intrinsic leadership that incorporates the best of both gender-specific traditions.

Table 2: Intrinsic leadership model				
	Philosophy	Psychology	Organization	Leadership
Masculine	Order/Hierarchy	Domination	Bureaucracy	Task-oriented
Feminine	Spheres of influence	Submission	Networks	Relationship-oriented
Intrinsic	Teamwork	Win/Win	Flexible structures	Contingency-based

Table 2 represents a blending of masculine and feminine leadership roles. It is important to emphasize that the question is not one of male versus female but of stereotypical masculine and feminine behaviors espoused by society and culture. In analyzing the dichotomy of masculine and feminine roles from the fields of philosophy, psychology, organizational theory, and leadership studies, expectations based upon roles are illustrated. In blending the masculine and feminine roles, ILT emphasizes teamwork, win/win outcomes, flexible structures, and contingency-based leadership.

Humans have a natural and prodigious ability to adapt, as evidenced by our success in populating the earth from the poles to the tropics. Our challenge as a species may now be in our

ability to transcend the societal boundaries we have built along gender lines. Our natural ability to engage in wide-ranging behaviors, without regard to gender, allows us to respond more readily to unforeseen contingencies. Adaptability is the core competency of human beings. The ILT model advocates the need to lessen the gender constraints that impede our natural ability to employ a wide range of responses.

Philosophical assumptions of ILT

Philosophy traditionally portrays the masculine model as committed to order and hierarchy while the feminine model focuses on developing spheres of influence. ILT implies that each of these alone is ineffective in leading complex organizations. Organizations no longer have the luxury of adhering to a pre-established hierarchy, nor does an ambiguous network of relationships provide the focus required to meet ever-changing demands.

Psychological viewpoint of ILT

Psychological and sociological aspects of organization are in many ways the most complex. The masculine model traditionally promotes win/lose situations that compel submission and dominance. This is exacerbated by competition in a capitalistic, market-driven economy, which, in the United States, is evidenced by the terms of aggression used to frame business as a win/lose battle. However, the global business environment of the late twentieth century is characterized by rapidly increasing interdependencies at all levels of the world's economic enterprises. ILT emphasizes the importance of win/win outcomes to support stable relationships. The increasing number of businesses forming partnerships to achieve lateral and vertical integration attests to this.

The psychology of domination and submission arises from the struggle for power by individuals, industries, nations, cultures, and genders. ILT adopts the psychological view that the exchange of power need not be a zero sum game. Like information, power can be increased through open exchange. If no constituency is sacrificed, it is easier to negotiate when the environment changes or power shifts. Of course, win/win outcomes also require struggle, especially given the competing interests of stakeholders in a global business environment. It takes a broad range of adaptive behaviors to maintain win/win arrangements that encompass customers, suppliers, shareholders, employees, and the larger community.

Similarly, the psychology of domination and submission arises in the struggle for power within organizations. ILT adopts the psychological view that organizational power increases when all workers have a voice and that static dominant and subordinate relationships impede adaptation. Organizational adaptation requires individual ability to adopt both leadership and "followership" roles. One cannot understand effective leadership without the ability to be a supportive follower (Kelley, 1992). ILT contends that leadership roles are best dictated by the needs of the situation, by the interplay of expertise, by the operating environment, and by group dynamics.

Organizational implications of ILT

Many organizations preserve a traditional structure without considering the full range of relevant variables. In the past, authority has typically been used in an effort to maintain the status quo, without consideration of the changing needs of stakeholders. The organization's mission becomes symptomatic rather than pragmatic when it struggles to defend its organizational structure at the cost of adapting to its environment.

ILT suggests a natural balance and a flexible structure that accommodates changing internal and external demands. Flexible structures allow organizations to address the needs of various constituencies, rather than forcing an artificial organizational structure that tends to impede response time and effective decision-making. Many situations call for networking in order to encourage the buy-in necessary to support common goals and minimize conflicting agendas. Networks are eminently flexible, but may not offer the stability to move the organization forward in a timely fashion.

Leadership dimensions of ILT

Because the work done in organizations is embedded in both social and technical skills, leaders must be both task- and relationship-oriented to cope with unpredictable environments. Social skills represent the ability to work together; technical skills represent the ability to perform tasks.

Three dimensions of team performance can be used to measure both social and technical skills:

1	The degree to which the team's productive output (its product, service, or decisions) meets the standards of quantity, quality, and timeliness of the people who receive, review, and/or use that output (Hackman, 1990);
2	The degree to which the process of carrying out the work enhances the capability of members to work together interdependently in the future (Hackman, 1990, Ilgen & Klein, 1988); and
3	the degree to which the group experience contributes to the growth and personal well-being of team members (Hackman, 1990; Kaplan & Greenbaum, 1989; Schwalbe, 1988; Peters & Waterman, 1982).

A common assertion of this line of research is that team performance is low when the team is performing such that it ultimately disbands before accomplishing its goal, when it discontinues providing a team output that is satisfactory, or when the development of team members is blocked through the frustration of personal needs. If tasks become the only focus, teamwork breaks down and the organization is unable to adapt to opportunities and threats in its environment. On the other hand, if the focus is only on relationships or social skills, technical skills and the team goal may be sacrificed and productivity may plummet (Yeatts & Hyten,

1994). Similarly, ILT suggests that adaptive leadership is directly related to the ability to incorporate both task- and relationship-oriented leadership styles.

In summary, intrinsic leadership theory supports an interrelated set of hypotheses that can be summarized as the organization's need to exploit the widest possible range of adaptive behaviors. In a world where situations and market dynamics change over night, the ability to manage change and preserve the goodwill of competing stakeholders becomes a matter of survival. Intrinsic leadership theory points to the transcendence of gender-based responses as a critical adaptive response.

REFERENCES

- Aristotle, (1921), *The Works of Aristotle*, (B. Jowett, Trans.), Clarendon Press, Oxford.
- Barnes, D. (1996), *Information Use Environment of Self-Managed Teams: A Case Study*, Doctoral Dissertation, University of North Texas, Denton, TX.
- Barnes, D. & Yeatts, D. E. (1998), "Communication strategies for self-managed teams", *Proceedings of the Allied Academies of Managerial Communication*, Myrtle Beach, SC.
- Chaucer, G. (1380), *Troilus and Criseyde*, (M. Lumiansky, Trans. in 1952), University of South Carolina Press, Columbia.
- Covey, S. (1997), *The 7 Habits of Highly Effective Families*, Golden Books Publishing Co., Inc., New York, NY.
- Donnellon, A. & Scully, M. (1994), "Teams, performance, and rewards. Will the post-bureaucratic organization be a post-meritocratic organization?" In C. Heckscher & A. Donnellon, eds., *The Post-Bureaucratic Organization: New Perspectives on Organizational Change*, Sage Publications, Thousand Oaks, CA.
- Fiedler, F. (1978), "The contingency model and the dynamics of the leadership process," *In Advances in Experimental Social Psychology*, 2nd ed. L. Berkowitz, Academic Press, New York, NY, pp. 59-112.
- Fiedler, F. & Chemers, M. (1984), *Improving Leadership Effectiveness: The Leader Match Concept*, 2nd ed., Wiley, New York, NY.
- Hackman, J. R. (1990), *Groups that Work (and those that don't)*, Jossey-Bass, San Francisco, CA.
- Ilgel, D. R. & Klein, H. J. (1988), "Individual motivation and performance: cognitive influences on effort and choice," In J. P. Campbell, R. J. Campbell, & Associates, eds.,

Productivity in Organizations: New Perspectives from Industrial and Organizational Psychology, Jossey-Bass, San Francisco, CA, pp. 143-176.

- Kaplan, I. T., & Greenbaum, H. H. (1989), "Measuring work group effectiveness: A comparison of three instruments," *Management Communication Quarterly*, Vol. 2 No. 3, pp. 424-448.
- Kelley, R. (1992), *The Power of Followership: How to Create Leaders People Want to Follow and Followers Who Lead Themselves*, Doubleday, New York, NY.
- Lerner, G. (1986), *The Creation of Patriarchy*, Oxford University Press, New York, NY, p. 221.
- Peters, T. J. & Waterman Jr., R. H. (1982), *In Search of Excellence: Lessons from America's Best Run Companies*, New York, NY.
- Rice, R. (1978a). "Construct validity of the least preferred coworker", *Psychological Bulletin*, Vol. 85, pp. 1199-1237.
- Rice, R. (1978b). "Psychometric properties of the esteem for least preferred coworker (LPC) scale", *Academy of Management Review*, Vol .3, pp. 106-118.
- Schwalbe, M. L. (1988), "Sources of self esteem in work", *Work and Occupations*, Vol. 15 No. 1, pp. 24-35.
- Tocqueville, A. de (1899), *Democracy in America*, Appleton, New York, NY.
- Wills, G. (1990), *Under God: Religion and American Politics*, Simon and Schuster, New York, NY.
- Yeatts, D.E., & Hyten, C. (1994), "Creating the high performing self-managed work team: A comparison of theory to practice," National Science Foundation.

MAMMOGRAPHY SCREENING AMONG WOMEN AGES 40 TO 74 IN THE UNITED STATES

Fevzi Akinci, King's College
Bernard J. Healey, King's College

ABSTRACT

This paper examines the status of mammography screening and factors related to its utilization among women ages 40 to 74. Responses from 5,548 women aged 40-74 who participated in the 1992 National Health Interview Survey Cancer Control Supplement were studied. Bivariate and multiple logistic regression analyses were performed to estimate the odds ratios of mammography use as a function of demographic and other predictor variables. The data indicated that 40 percent of women aged 40-74 reported ever having had a mammography. High income, having a regular source of health care, individuals' preventive orientation, and age (50-64) were strong predictors of mammography use. Low educational attainment, being widowed, residence in a rural area, and living in the South were strongly associated with less likelihood of having had a mammography. Despite the anecdotal and empirical evidence that the proportion of women ever having had mammography has dramatically increased in the past several years, our analyses suggest that mammography utilization varies greatly across levels of predictive variables considered in this study. In order to achieve and maintain high rates of mammography utilization, public health programs should especially target those women with low incomes and education and women with no regular source of care.

INTRODUCTION

Breast cancer is the most commonly diagnosed cancer and the second leading cause of cancer death among women in the United States (American Cancer Society, 1995). An estimated 184,200 new cases were expected to be diagnosed in 2000. About 40,800 U.S. women were expected to die from breast cancer in the same year, accounting for about 15.2 percent of cancer deaths among women (Landis, 2000).

Substantial reduction in breast cancer death rates is possible if the tumor is discovered at an early stage. Mammography is the most effective method for detecting these early malignancies. There is controversy regarding the ages at which women should undergo mammography and necessary frequency of such testing. The American Cancer Society and ten

other national organizations issued a consensus statement about breast cancer screening guidelines in 1989. This consensus statement supports mammographic screening every one to two years between the ages of 40 to 49 years with annual screening beginning at age 50. In contrast, the American College of Physicians and the United State Preventive Task Force maintain that regular screening should be initiated at age 50, and mammography should only be considered among younger women at increased risk of breast cancer (White, Urban, & Taylor, 1993). More recently, the American College of Obstetricians and Gynecologists (ACOG) and the National Cancer Institute recommended that a woman in her forties with no risk factors have a mammogram at least once every two years and yearly after the age of 50 (ACOG, 1997). American Cancer Society, however, continues to recommend annual mammograms for a woman in her forties (ACS, 1997).

During the past decade, several studies have documented the effectiveness of screening mammography in the reduction of mortality from breast cancer among women aged 40 to 74 (White, Urban, & Taylor, 1993). However, limited evidence exists to suggest a mortality benefit attributable to screening older women, particularly among those over 75 (Morrison, 1989). The estimated range for the reduction in mortality for screened women aged 40-74 years is given to be 5-76 percent (White, Urban, & Taylor, 1993). The results of these studies, improvements in technique, lower cost, and more accessible screening facilities have resulted in substantial increase in the number of women screened with mammography.

While a 1977 sample indicated only 15 percent of women ever having had a mammography, (Reeder, Berkanovic, & Marcus, 1980) the proportion of women having had a mammography increased to 41 percent in 1983 (Howard, 1987). Similarly, in a 1986 national sample, 39 percent of women ages 50 and over reported having ever had a mammography (Hayward, Shapiro, Freeman, & Corey, 1988). The 1987 Cancer Control Supplement to National Health Interview Survey found 38 percent of women ages 40 and older having had a mammography. Finally, the 1990 National Health Interview Survey of Health Promotion and Disease Prevention (NHIS-HPDP) reported 57.7 percent of women ages 40-75 having had a mammography (Rakowski, Rimer & Bryant, 1993).

Despite the anecdotal and empirical evidence that the proportion of women ever having had mammography has dramatically increased in the past several years, it has been documented by some of the previous work on this subject that the likelihood of women using mammography screening varies greatly across levels of basic demographic factors and other potential predictive variables (Zapka, Stoddare, Costanza & Greene, 1989; Calle, Flanders, Thun & Martin, 1993). A recent analysis of data from the 1990 NHIS investigated the likelihood of women 40 to 75 years of age having regular mammography. The findings of this study suggested the presence of strong associations between the use of regular mammography and higher income, having a regular source of health care, living in the west or a metropolitan area, and engaging in healthy practices (Rakowski, Rimer & Bryant, 1993).

The purpose of this paper is to examine the status of mammography screening experience and factors related to its utilization among women ages 40 to 74 using more recent data from a nationwide survey of US women.

METHODS

Study Population

The data for this study were drawn from the public release tape of the 1992 National Health Interview Survey Cancer Control Supplement. The National Health Interview Survey (NHIS) is a cross-sectional, household interview survey of the civilian, non-institutionalized population of the United States conducted annually by the National Center for Health Statistics (NCHI). The primary purpose of the NHIS is to obtain information about the amount and distribution of illness, its effects in terms of disability and chronic impairments, and the kinds of health services people receive using a multistage probability sampling design. The survey consists of a set of basic health and demographic questions, and some other supplemental questions on specific health topics. Variables unique to the Cancer Control Supplement included items on cancer knowledge and attitudes, cancer screening knowledge and practice, and other preventive practices related to cancer.

For the present study, we restricted analyses of mammography use to 5,548 women ages 40 to 74. After excluding the cases with cancer history, the sample size was reduced to 4,980. Finally, bivariate and multivariate analyses are based on the final sample size of 2,618 excluding all the cases with missing information on the dependent variable.

VARIABLE DEFINITIONS AND ANALYSIS

Logistic regression analyses were performed using "ever having had a mammography" as the dependent variable for women 40 to 74 years of age. The dependent variable was set equal to 1 if the woman reported ever having had a mammography and set equal to 0 otherwise. Four categories of potential independent variables associated with mammography use were identified based on the literature review on this subject and included in this study: demographic characteristics, health status, resources, and individuals' preventive orientation.

Five demographic variables were age (40-49, 50-64, and 65-74), marital status (married, widowed, divorced/separated, and never married), ethnicity (white, black, and other), region of the country (northeast, midwest, south, and west), and type of residence (MSA-central city, MSA-other, and Non-MSA). Health status measure represented the values of self-rated health by the respondents and coded as a multilevel variable (excellent/very good, good, and fair/poor). Resource variables characterized both the family and community resources and included income (less than \$15,000, \$15,000-24,999, \$25,000-49,999, and \$50,000 or more), education (0-8 years, some high school, high school degree, some college, college graduate, and post-college), employment status (in the work force; yes/no), and regular source of care (yes/no). Finally,

variable "ever having had a breast physical exam" (yes/no) was included to reflect the individuals' preventive orientation.

TABLE 1: Distribution of Study Variables (N = 4,980)					
Variables	Number in Sample	Percentage	Variables	Number in Sample	Percentage
Demographic			Resources		
Age:			Income:		
40-49 years	1,993	40	Less than \$15,000	1,000	24.5
50-64 years	1,929	38.7	\$15,000 - \$24,999	778	19
65-74 years	1,058	21.2	\$25,000 - \$49,999	1,311	32.1
			\$50,000 or more	997	24.4
Marital Status:			Education:		
Married	2,976	59.9	0-8 years	580	11.7
Widowed	585	11.8	Some high school	631	12.7
Divorced, Separated	1,028	20.7	High school graduate	1818	36.6
Never married	383	7.7	Some College	927	18.7
			College graduate	513	10.3
			Post College	494	10
Ethnicity:			In Labor Force:		
White	4,147	83.3	Yes	3,061	61.9
Black	688	13.8	No	1,885	38.1
Other	145	2.9			
Region of Country:			Regular Source of Care:		
Northeast	1,040	20.9	Yes	4,144	83.6
Midwest	1,246	25	No	809	16.4
South	1,612	32.4			
West	1,082	21.7			
Area of Residence:			Preventive Orientation		
MSA-Central City	1,663	33.4	Ever had breast exam:		
MSA-Other	2,144	43.1	Yes	2,593	93

Non MSA	1,173	23.6	No	194	7
Health Status Self-rated health:			Ever had mammography:		
Excellent/ Very Good	2,800	56.3	Yes	1,962	39.4
Good	1,317	26.5	No	656	13.2
Fair/Poor	855	17.2	Missing Cases	2,362	47.4
Note: Some of the totals (N) do not add to 4,980 because of the missing values.					

Of the 4,980 respondents 40 percent reported ever having had a mammography. Distribution of study variables is summarized in Table 1. Simple and multiple logistic regressions were used to evaluate the individual and the simultaneous effects of all predictor variables on the likelihood of ever having had a mammography. Crude and adjusted odds ratios (ORs) and 95 percent confidence intervals (CIs) were calculated using the SPSS Advanced Statistics version 10.0.

RESULTS

Table 2 presents the results of the logistic regression analyses. Percentage of women reported having had a mammography, bivariate and multivariate adjusted odds ratio associations with all predictor variables and the dependent variable, and 95 percent CIs were listed in this table. Odds ratios were obtained by exponentiating the estimated logistic regression coefficients. The multivariate model performed relatively well, classifying 77 percent of the cases correctly. The model chi-square was equal to 238.01 and it was significant at $p < 0.001$.

Independent Variables	Number in Sample	Percent Ever Had	Bivariate OR	95%CI	Multivariate Adjusted OR*	95% CI
Demographic						
Age:						
40-49	1,007	75	Reference	Reference	Reference	Reference
50-64	1,018	77.5	1.12	.91, 1.38	1.39**	1.09, 1.79**
65-74 years	593	70	.75**	.59, .94	1.28	.91, 1.80
Marital Status:						
Married	1,439	78	Reference	Reference	Reference	Reference
Widowed	457	67	.55**	.44, .69	.65**	.47, .91**
Divorce/Separated	555	74	.78**	.62, .98	.89	.66, 1.20
Never Married	167	71	.66**	.46, .95	.64	.40, 1.01
Ethnicity:						
White	2,171	76	Reference	Reference	Reference	Reference
Black	374	72	.83	.64, 1.06	1.09	.78, 1.52

TABLE 2						
Independent Variables	Number in Sample	Percent Ever Had	Bivariate OR	95%CI	Multivariate Adjusted OR*	95% CI
Other	73	71	.80	.48, 1.35	.66	.35, 1.24
Region of Country						
Northeast	531	78	Reference	Reference	Reference	Reference
Midwest	665	76	.87	.66, 1.13	.94	.68, 1.29
South	866	69	.62	.49, .80	.67**	.49, .90**
West	556	79	1.07	.80, 1.43	1.09	.77, 1.52
Area of Residence						
MSA-Central City	913	77	Reference	Reference	Reference	Reference
MSA (other)	1,099	77	1.0	.81, 1.23	.77	.59, 1.00
Non MSA	606	69	.67**	.53, .84	.60**	.45, .94**
Health Status						
Self-rated health:						
Excellent/Very Good	1,438	77	Reference	Reference	Reference	Reference
Good	723	74	.83	.67, 1.02	.99	.77, 1.27
Fair/Poor	453	70	.71**	.56, .90	.98	.71, 1.36
Resources						
Income:						
<\$15,000	570	62	Reference	Reference	Reference	Reference
15,000-24,999	430	75	1.84**	1.39, 2.44	1.54**	1.13, 2.09**
25,000-49,999	696	78	2.18**	1.70, 2.80	1.43**	1.03, 1.99**
50,000 or more	472	85	3.44*	2.55, 4.65	1.87**	1.23, 2.85**
Education:						
0-8 years	266	71	Reference	Reference	Reference	Reference
Some High School	333	62	.67**	.47, .95	.46**	.30, .70**
High School Grad.	1,050	73	1.10	.81, 1.48	.70	.48, 1.02
Some College	509	79	1.53**	1.09, 2.15	.87	.56, 1.34
College Graduate	238	84	2.21**	1.43, 3.44	1.23	.71, 2.14
Post-College	217	90	3.80**	2.26, 6.40	1.93**	1.02, 3.67**
In Labor Force						
Yes	1,450	78	1.39**	1.16, 1.66	1.04	.80, 1.34
No	1,149	71	Reference	Reference	Reference	Reference
Regular Source of Care						
Yes	2,300	77	2.41**	1.88, 3.10	2.42**	1.78, 3.30**
No	289	58	Reference	Reference	Reference	Reference
Preventive Orientation						

Independent Variables	Number in Sample	Percent Ever Had	Bivariate OR	95%CI	Multivariate Adjusted OR*	95% CI
Ever had breast exam						
Yes	2,475	77	7.45**	5.05, 11.01	5.29**	3.31, 8.46**
No	125	31	Reference	Reference	Reference	Reference
Note: OR = Odds ratio; CI = Confidence Interval; MSA = Metropolitan Statistical Area **Odds ratios significant at $p < .05$ *Adjusted for all other variables listed. Model Chi-Square = 238.01 at $p < 0.001$.						

In the bivariate analyses, age (65-74), income, marital status, education (except the high school graduate category), living in the South, being in the labor force, residence in a rural area, health status (fair/poor), having a regular source of care, and having had a breast physical exam all significantly predicted mammogram utilization. Eight variables remained significantly associated with use of mammography in the multiple logistic regression model after simultaneously controlling for all explanatory variables.

Income strongly predicted mammography use in all categories included in the analysis. Women in the highest income category (\$50,000 or more) were nearly two times more likely to use mammography than women in the lowest income category (adjusted OR= 1.87, 95 percent CI= 1.23, 2.85). Having a regular source of care and having had a breast physical exam both remained strong predictors; women who have a regular source of care were almost two and a half times more likely to use mammography than those who do not have (adjusted OR= 2.42, 95 percent CI= 1.78, 3.30) and women who had have breast physical exam were five times more likely to use mammography than those women without it (adjusted OR= 5.29, 95 percent CI= 3.31, 8.46). Similarly women aged 50-64 and those with post-college education were more likely to have mammography screening in the past when compared with women in the reference groups (40-49 years old and 0-8 years of education respectively). Finally, living in the South, residence in a rural area, and being widowed were all associated with less likelihood of using mammography in the multivariate model.

In general, the results of the logistic regression analyses were consistent with the earlier work. However, the lack of influence of health status and race on mammography use in the multivariate model was rather unexpected. Those in poor health were as likely to use mammography, as were healthier women, suggesting that current perceived health is not related to a decision to use mammography. This is, however, consistent with the finding reported in a study by Mor, et al. (Mor, Pacala, & Rakowski, 1992) which concluded that "a woman's health status is unrelated to having had a screening mammography" after investigating the associations between a number of predictive variables and the use of screening mammography in older women.

Evidence regarding the importance of race on mammography utilization are mixed in the literature. For example, Calle, et al. (Calle, Flanders, Thun, & Martin, 1993) found Hispanic

ethnicity and other race to be strong predictors of mammography underused based on the data from the 1987 National Health Interview Survey Cancer Control Supplement. Another study by Breen and Kessler (Breen & Kessler, 1994), on the other hand, demonstrated that the importance of race as a potential predictor of mammography screening has declined in 1990 using data from the 1987 and 1990 National Health Interview Surveys. The lack of evidence to find the race variable significant in the present study provides some support to the finding of the second study and may suggest that the racial differences among women are less likely to play a key role in the tendency of women to use mammography. Finally, none of the two-way interaction terms between age, race, and income were found to be statistically significant when they were included in the multivariate logistic model.

DISCUSSION

In this paper, we have examined the role of several potential predictor variables (demographic, economic, health status, and individuals' preventive orientation) in the use of mammography among women aged 40-74 based on the data from a nationwide survey of U.S. women. Overall, in the study population, 40 percent of women reported ever having had a mammography. Despite encouraging recent increases in mammography utilization, the present data suggest that the likelihood of women using mammography screening varies greatly across levels of predictive variables considered in this study.

High income, having a regular source of health care, individuals' preventive orientation, and age (50-64) were strong predictors of mammography use. On the other hand, low educational attainment, being widowed, residence in a rural area, and living in the South were found to be strongly associated with less likelihood of having had a mammography. A woman's health status and race were unrelated to ever having had a mammography.

Although multivariate analysis did not indicate any significant differences in the use of mammography by women aged 65-74 compared to women aged 40-49, the results of the bivariate analysis suggested that women in the first category (65-74) were significantly less likely to have had mammography, a finding consistent with the an earlier analysis of data from a 1987 national sample. This finding is of particular importance given almost half of all breast cancers are diagnosed in women 65 and older (Hankey, 1993) and points to the fact that this age group was still underserved in 1992. In the present study, mammography use was more likely to be reported by women 50-64. On the other hand, the finding that the role of racial differences in the use of mammography has declined in recent years is encouraging given the significant associations reported earlier between race and the mammography use (Calle, Flanders, Thun, & Martin, 1993).

Another important finding of this study is that women who did not have a regular source of care were less likely to utilize mammography than women who reported having a regular source of care. Although disparities in the use of preventive services were found, even in the presence of universal insurance coverage, (Katz & Hofer, 1994) having access to a regular source

of care is an important enabling factor in improving both the availability and potential use of mammography screening.

Finally, individuals' preventive orientation, measured by "ever having had a physical breast exam", was significantly associated with mammography utilization. This finding highlights the importance of developing health education programs aimed at informing women of the benefits of adopting preventive practices and encouraging their adherence to routine mammographic screening. Of course, physicians can make a significant contribution in this regard by educating their patients and recommending them to receive screening mammography on a regular basis.

In conclusion, in order to achieve and maintain high rates of mammography utilization, public health programs should especially target those women with low incomes and education and women with no usual source of medical care. Widowed women should also be included in the target population. Likewise, health education programs to promote screening mammography must encourage the active support and participation of physicians and other health care providers in reaching women with low education attainment and preventive orientation. Such efforts are critical in achieving the Healthy People 2000's ambitious goal for the 1990s-to have at least 60 percent of women ages 50 and older receive a screening mammography and a clinical breast examination during a 2-year period (Public Health Services, 1990).

REFERENCES

- American Cancer Society (1995). *Cancer Facts and Figures, 1995*. Atlanta: American Cancer Society.
- American Cancer Society (1997). *Mammography Guidelines for Asymptomatic Women*. Atlanta, GA: American Cancer Society.
- Breen, N. & Kessler, L. (1994). Changes in the use of screening mammography: Evidence from the 1987 and 1990 National Health Interview Surveys. *American Journal of Public Health, 84*, 62-67.
- Calle, E., Flanders, WD., Thun, MJ. & Martin, LM. (1993). Demographic predictors of mammography and pap smear screening in US women. *American Journal of Public Health, 83*, 53-60.
- Hankey, BF. (1993). Age distribution of breast cancer cases. *Journal of National Cancer Institute, 85*, 892-7.
- Hayward, AA., Shapiro, MF., Freeman, HE. & Corey, CR. (1988). Who gets screened for cervical and breast cancer? Results from a new national survey. *Arch Intern Med, 148*, 1177-1181.
- Howard, J. (1987). Using mammography for cancer control: An unrealized potential. *CA Cancer J Clin, 37*, 33-48.
- Katz, S.J. & Hofer, T.P. (1994). Socioeconomic disparities in preventive care persist despite universal coverage. *JAMA, 272*, 530-4.
- Landis, S.H., Murray, T., Bolden, S. et al. (2000). Cancer Statistics, 2000. *CA-A Cancer Journal for Clinicians, 50*(1), 2398-2424.
- Mor, V., Pacala, JT. & Rakowski, W. (1992). Mammography for older women: Who uses, who benefits? *The Journals of Gerontology, 47*(special issue), 43-49.
- Morrison, A. (1989). Review of evidence on the early detection and treatment of breast cancer. *Cancer, 64*, 2651-6.
- Public Health Service: Healthy People 2000: National health promotion and disease prevention objectives. (1990). DHHS Publication no. (PHS) 91-50212, U.S. Government Printing Office, Washington, DC.

- Rakowski, W., Rimer, BK. & Bryant, SA. (1993). Integrating behavior and intention regarding mammography by respondents in the 1990 National Health Interview Survey of Health Promotion and Disease Prevention. *Public Health Reports, 108*, 605-624.
- Reeder, S., Berkanovic, E. & Marcus, AC. (1980). Breast cancer detection behavior among urban women. *Public Health Reports, 95*, 276-81.
- The American College of Obstetricians and Gynecologists [ACOG]. Press statement on mammography screening guidelines (1997). www.acog.com/from_home/publications/press_releases/nr-mammos.htm.
- White, E., Urban, N. & Taylor, V. (1993). Mammography utilization, public health impact, and cost-effectiveness in the United States. *Annual Review of Public Health, 14*, 605-33.
- Zapka, JG., Stoddard, AM., Costanza, ME. & Greene, HL. (1989). Breast cancer screening by mammography: Utilization and associated factors. *American Journal of Public Health, 79*, 1499-1502.

CONTROLLING DELAY THROUGH EXTENSION FEES

Steven V. Campbell, University of Idaho
Askar H. Choudhury, Illinois State University
Douglas J. McGinty, U.S. Department of Commerce

ABSTRACT

This paper examines the relationship between patent applicant behavior and the levels of extension fees charged by the U.S. Patent and Trademark Office. At issue is whether undue applicant delay can be controlled through a system of extension fees. This issue is important because applicant delay postpones public enjoyment of the information content of the patent document. Using time-series analysis and data collected over a 10 year period, we find applicant demand for three month extensions decreased significantly in response to certain fee increases introduced by the Omnibus Budget Reconciliation Act of 1990; however, the decline in demand for three month extensions was more than offset by a significant increase in demand for one and two month extensions. The evidence suggests patent applicants substituted numerous short delays for fewer longer delays. The evidence further suggests this behavioral shift actually increased the average patent pendency period from approximately 18.2 months to 19.2 months.

INTRODUCTION

By patenting an invention, an inventor receives the exclusive right to use, manufacture, and sell a product or process for a limited time. In exchange for granting the inventor this limited monopoly, the public receives an addition to the storehouse of information available for further research and innovation. Undue patent applicant delay, that is delay due to procrastination or the intent to prolong the patent process, postpones public enjoyment of the information content of the patent document and thus conflicts with the fundamental goal of the patent laws to promote progress in the useful arts.

Undue applicant delay has been a persistent problem for the U.S. Patent and Trademark Office (Patent Office). Currently, undue delay is controlled through a system of extension fees whereby applicants are charged a fee if they exceed certain filing deadlines. The fee charged is determined by a progressive rate structure in which the fee rate increases with the length of the extension purchased. The cost of a three month extension is more than twice that of a two month extension, and the cost of a two month extension is three times that of a one month extension.

This study examines whether a progressive extension fee structure is effective in controlling undue applicant delay. We hypothesize that an across the board increase in

extension fee rates will induce certain applicants to reduce the lengths of the extensions they purchase. We test this hypothesis by examining certain fee increases brought about by the Omnibus Budget Reconciliation Act of 1990. Strong evidence is presented suggesting both large and small entities decreased their demand for three month extensions and increased their demand for one month and two month extensions in response to this event. The evidence further suggests this behavioral change increased average patent pendency time.

The problem of undue applicant delay is not limited to the patent process. Many governmental agencies and judicial bodies also experience problems associated with applicant delay. A progressive extension fee structure offers one means of controlling applicant delay, but as the results of this study suggest, reducing applicant delay is not simply a matter of increasing extension fees. Our findings suggest proportional fee increases can have unintended behavioral consequences that result in additional applicant delay. The paper continues as follows: The next section reviews the patent process and presents our hypotheses. The results are presented in the following section and the final section of the paper contains some concluding remarks.

UNDUE DELAY IN THE PATENT PROCESS

Patent prosecution begins with a patent application that includes among other things an explanation of how the invention is made and used, and a series of claims which set forth the metes and bounds of the invention. In order to be patented an invention must be novel, useful, and not of an obvious nature. Within a few months after the application is filed, a Patent Examiner renders an initial opinion, called the First Office Action, which discusses the references most pertinent to the claimed invention and states whether or not in the Examiner's opinion the invention is novel and non-obvious in view of those references. The Examiner often, if not usually, makes an initial determination that the claims are not allowable. For example, the claims may be drafted too broadly or they may represent only obvious variations over what is shown in the references.

The applicant has several options at this point. For example, if the applicant disagrees with the Examiner's opinion, the applicant may argue its position by filing a Response to the Examiner's Opinion; alternatively, the applicant may amend the claims to avoid overlapping the references. After receiving and considering the applicant's Response and/or Amendment of Claims, the Examiner typically issues a final adjudication on the merits. At this point the Examiner may find the amended claims to be allowable or she may issue a Final Rejection. If a Final Rejection is issued, the applicant may ask the Examiner to reconsider or propose additional amendments, but at this point the Examiner has considerable discretion regarding whether or not to consider the additional arguments or proposed amendments.

This process follows an expedited schedule of filing deadlines, but these deadlines may be extended by purchasing an extension. For example, following the First Office Action, the applicant is allowed three months to file a response to the Examiner's findings. If the applicant fails to meet this deadline, an extension of additional time may be purchased in an increment of one, two, or three months. Therefore, if the applicant takes five months to respond to the

Examiner's First Office Action, the response must be accompanied by the payment of a fee for a two month extension. The extension fees are progressive: the cost of a two month extension is 300% the cost of a one month extension, and the cost of a three month extension is 243% the cost of a two month extension.

All patent fees, including extension fees, have increased steadily over the past 20 years. Usually the fee increases have been gradual according to changes in the Consumer Price Index; however, an exception to this trend occurred in 1990 when the Patent Office became fully fee funded and all patent fees increased by approximately 69%. In mandating fee-based funding, the Omnibus Budget Reconciliation Act of 1990 increased the cost of a one month extension for large entities from \$62 to \$100, a two month extension from \$180 to \$300, and a three month extension from \$430 to \$730. For small entities, the 1990 legislation increased the cost of a one month extension from \$31 to \$50, a two month extension from \$90 to \$150, and a three month extension from \$215 to \$365. (Individuals and small businesses pay one-half the fee rate charged to large entities.) A small entity is defined by statute as an individual, inventor, or a small business with no more than 500 employees. A large entity is defined as any entity not qualified to be a small entity (37 C.F.R. Sec. 1.9(d)).

Incentives for Applicant Delay

Several circumstances give rise to applicant delay in patent prosecution. In some cases applicant delay is a necessary consequence of providing sufficient time for the applicant to develop and advocate its position before the Examiner. For example, the applicant may require additional time to gather information in order to rebut an Examiner's determination of obviousness. Such delays benefit the patent process by providing the Examiner better information.

In other cases however applicant delay stems from a desire to procrastinate or intentionally prolong the patent process. Miller (1992) identifies three objectives that can provide incentives to intentionally delay patent prosecution: First, an applicant may be motivated to maintain secrecy because it believes its competitive position will be enhanced by delaying the first date competitors can obtain a copy of the patent document. Second, an applicant may be motivated to shift the period of exclusivity in order to make the patent term coincide with the period in which the applicant believes the right to exclude will be more valuable. Third, the applicant may be motivated to prolong the effective period of exclusivity by organizing a sequence of related patents with staggered expiration dates.

The incentive to procrastinate or intentionally delay patent prosecution and the counter-incentive to control costs motivate the following testable hypotheses (stated in alternative form):

<i>H1: Patent applicants adjust the lengths of the extensions they purchase as part of a cost management strategy.</i>
--

<i>H2: Given a progressive extension fee structure, a pro rata increase in extension fees will increase the</i>

proportion of shorter extensions relative to the proportion of longer extensions.

Empirical Tests of the Hypotheses

To test the relationship between extension fee levels and the quantities of extensions purchased, the following regression was estimated:

$$EXTEN_t = b_0 + b_1FILINGS_t + b_2FEE_t + b_3LAG_t + e_t \quad (1)$$

where: $EXTEN_t =$ the number of each type of extension purchased in month t ,
 $FILINGS_t =$ a control variable for the level of inventive activity,
 $FEE_t =$ a zero-one indicator variable for the intervening event,
 $B=0$ for the period October 1984-October 1990, $B=1$ for the period November 1990-September 1994,
 $LAG_t =$ a control variable for autocorrelation, defined as the dependent variable lagged one period back.

The hypothesized relation between FEE and the number of extensions purchased assumes all other factors are held constant; however, other factors can vary systematically with both the quantity of extensions purchased and extension fee rates. One such factor is growth in the level of inventive activity. If the level of inventive activity, extension fee rates, and the number of extensions purchased all increase over time, a significant relation between the number of extensions purchased and extension fee rates could be observed even though the level of inventive activity is the true explanatory variable. To avoid this omitted variable problem, Equation (1) includes the variable FILINGS to control for growth in the level of inventive activity over the study period. The FILINGS variable is defined as the number of patent applications filed with the Patent Office each month. Using patent application filings to control for growth in the level of inventive activity over time is suggested by Schmookler (1954) who observed changes in the level of inventive activity is positively associated with changes in the number of patent applications filed.

Another potential problem with time-series data is serial correlation within residuals. Autocorrelation within residuals may lead to inefficient parameter estimates and biased standard error estimates in ordinary least squares regression (Kmenta 1971; Maddala 1977). To avoid autocorrelation within residuals Equation (1) includes a control variable, LAG, defined as the dependent variable lagged one period back in time.

The second hypothesis presented above requires testing whether a pro rata increase in extension fees increases the demand for shorter extensions relative to the demand for longer extensions. To test this hypothesis, the following regression was estimated:

$$RATIO_t = b_0 + b_1TREND_t + b_2TRENDSQ_t + b_3FEE_t + b_4LAG_t + e_t \quad (2)$$

where: $RATIO_t =$ (a) the ratio of one month extensions to three month extensions,
 (b) the ratio of one month extensions to two month extensions, and

$TREND_t =$	<i>(c) the ratio of two month extensions to three month extensions, a control variable for the rate of growth in inventive activity over the study period, defined as a series beginning at one and increasing at the constant growth rate $B=1$ for each sample observation,</i>
$TRENDSQ_t =$	<i>a second control variable for the rate of growth in inventive activity over the study period; defined as the square of $TREND$,</i>
$FEE_t =$	<i>a zero-one indicator variable for the intervening event, $B=0$ for the period October 1984-October 1990, and $B=1$ for the period November 1990-September 1994,</i>
$LAG_t =$	<i>a control variable for autocorrelation, defined as the dependent variable lagged one period back in time.</i>

Equation (2) was separately estimated for three dependent variables: (a) the proportion of one month to two month extensions, (b) the proportion of one month to three month extensions, and (c) the proportion of two month to three month extensions. The explanatory variables in Equation (2) are identical to those in Equation (1) with the exception of $TREND$ and $TRENDSQ$ which are used in place of the control variable $FILINGS$. Thus, $TREND$ and $TRENDSQ$ control for changes in the rate of growth in inventive activity over the sample period.

RESULTS

The data for this study were obtained from the Patent Office and comprise a time-series of monthly observations covering the period October 1984 through September 1994. Descriptive statistics for large entity applicants and small entity applicants are presented in Table 1. Over the study period large entities filed an average 9097 patent applications per month and purchased an average 5901 extensions per month. Small entities averaged 4097 applications per month and 2231 extensions per month.

Variable ^b	Means		Standard Deviations		Minimums		Medians		Maximums	
	LG	SM	LG	SM	LG	SM	LG	SM	LG	SM
FILINGS	9097	4097	2078	960	5266	2395	9291	4139	13346	7272
ISSUES	5214	2194	892	407	2154	1115	5306	2261	6964	3222
EXTEN1	2575	980	569	222	1181	398	2440	970	4357	1597
EXTEN2	1416	523	329	122	616	181	1366	503	2405	924
EXTEN3	1910	728	473	181	661	270	1976	745	2882	1177

^a Small entities include individual inventors and small businesses with no more than 500 employees. Large entities include any applicant that does

not qualify as a small entity.

^b Variable Definitions:

FILINGS = utility patent applications filed per month,

ISSUES = utility patents issued per month,

EXTEN1 = one month extensions purchased per month,

EXTEN2 = two month extensions purchased per month,

EXTEN3 = three month extensions purchased per month.

Equation (1) was estimated separately for large and small entities using the number of one, two, and three month extensions as dependent variables. The estimates of Equation (1) for large entities are reported in Table 2. The coefficients for FEE are significantly positive (.01 level) for purchases of one month and two month extensions, and significantly negative (.1 level) for purchases of three month extensions. The control variables, FILINGS and LAG, also are statistically significant (.01 level).

Independent Variable ^b	One Month Extensions	Two Month Extensions	Three Month Extensions
Intercept	1326.31 ^c	509.83	25.66
	(8.81) ^{***}	(5.77) ^{***}	(0.20)
FILINGS	.11	.09	.16
	(6.19) ^{***}	(8.46) ^{***}	(9.71) ^{***}
FEE	591.85	229.40	-83.62
	(7.73) ^{***}	(5.10) ^{***}	(-1.34) [*]
LAG	-	-	.24
			(3.64) ^{***}
R-squared	0.69	0.68	0.70
Durbin-Watson	1.87	1.77	2.03
Observations	120	120	119

^a Large entities include business entities with more than 500 employees.

^b Variable Definitions:
 FILINGS = the number of patent application filed each month for the period October 1984-September 1994,
 FEE = a zero-one indicator variable, B=0 for the period October 1984-October 1990, and B=1 for the period November 1990-September 1994,
 LAG = the dependent variable lagged one time period (month) back.

^c t-statistic reported in parenthesis, significant at ten (*), five (**), and one (***)percent levels using two-tail P-Values for one and two month extensions and one-tail P-Values for three month extensions.

Table 3 presents the comparative results for small entities. The t-statistics reported in Table 3 for FEE indicate significant positive associations (.01 level) between FEE and the number of one month and two month extensions, but a significant negative association (.05 level) between Fee and the number of three month extensions.

For large entities, the t-statistics for FEE are highly significant in the positive direction for one month and two month extensions, but only marginally significant in the negative direction for three month extensions. If the coefficients for FEE reported in Table 2 are multiplied by the quantity of extension time purchased, the cumulative effect is a net increase of approximately 820 months of extension time purchased by large entities each month following the 1990 intervention. If the same calculation is made for small entities based on the results reported in Table 3, the cumulative effect is a net decrease per month of approximately 16 months of extension time. Thus, driven by the behavior of large firm applicants, the results suggest the 1990 intervention is associated with an overall increase in the amount of extension time purchased.

Independent Variable ^b	One Month Extensions	Two Month Extensions	Three Month Extensions
Intercept	327.24 ^c	131.78	29.61
	(5.89) ^{***}	(4.33) ^{***}	(0.57)
FILINGS	.15	.09	.13
	(9.96) ^{***}	(11.30) ^{***}	(9.17) ^{***}
FEE	126.45	42.53	-53.34
	(4.37) ^{***}	(2.68) ^{***}	(-2.12) ^{**}
LAG	-	-	.23
			(3.44) ^{***}
R-squared	.70	.70	0.65
Durbin-Watson	1.85	1.60	2.00
Observations	120	120	119

^a Small entities include individuals and business entities with 500 or less employees.
^b Variable Definitions:
 FILINGS = the number of patent application filed each month for the period October 1984-September 1994,
 FEE = a zero-one indicator variable, B=0 for the period October 1984-October 1990, and B=1 for the period November 1990-September 1994,
 LAG = the dependent variable lagged one time period (month) back.
^c t-statistic reported in parenthesis, significant at ten (*), five (**), and one (***) percent levels using two-tail P-values for one and two month extensions and one-tail P-Values for three month extensions.

Hypothesis 2 suggests the 1990 intervention should increase the proportion of shorter extensions relative to the proportion of longer extensions, however, it does not predict the magnitude of this behavioral shift to shorter extensions. The relationship between the 1990 intervention and changes in the proportion of one month extensions is as follows. Prior to the November 1990 fee increases the ratio of one month extensions to total extensions exhibited a negative slope over time for both large and small entities, however after the November 1990 fee increases, the slope over time is positive.

The reverse is true with regard to the ratio of three month extensions to total extensions. A positive slope in this ratio is observed prior to the 1990 intervention, however, after the 1990 intervention a negative slope is observed.

To test the significance of these trends, Equation (2) was estimated for both large and small entities using time-series regression. Table 4 reports the estimation results for large entities and Table 5 reports the results for small entities.

TABLE 4			
Regressions on the Proportions of Extensions Purchased by Large Entities ^a			
Independent Variable ^b	Ratio of One Month to Two Month Extensions	Ratio of One Month to Three Month Extensions	Ratio of Two Month to Three Month Extensions
Intercept	2.0399 ^c	2.3455 ^c	1.0277
	(46.77)***	(36.68)***	(44.05)***
TREND	-.0077	-.0185	-.0106
	(-4.64)***	(-8.54)***	(-12.11)***
TRENDSQ	.00004	.0001	.00007
	(2.59)***	(8.16)***	(8.46)***
FEE	.1795	.3022	.1449
	(2.95)***	(5.06)***	(4.62)***
LAG	-	-.0003	-
		(-5.68)***	
R-squared	0.22	0.75	0.60
Durbin-Watson	2.33	1.61	1.94
Observations	120	119	120
^a Large entities include business entities with more than 500 employees. ^b Variable Definitions: TREND = a series starting at one and growing by the constant amount B=1 each time period, TRENDSQ = TREND squared, FEE = a zero-one indicator variable, B=0 for the period October 1984-October 1990, and B=1 for the period			

November 1990-September 1994,
LAG= the dependent variable lagged one time period (month) back.
^c t-statistic reported in parenthesis, significant at ten (*), five (**), and one (***) percent levels using two-tail P-values.

In both Tables 4 and 5 the indicator variable FEE is significantly positive in all three regressions. Since the numerator of each ratio measures the shorter extension period, these results suggest the 1990 intervention produced a behavioral shift by all patent applicants to shorter extension purchases. The shift to shorter extensions is particularly evident when the number of three month extensions is in the denominator of the dependent variable.

TABLE 5			
Regressions on the Proportions of Extensions Purchased by Small Entities ^a			
Independent Variable ^b	Ratio of One Month to Two Month Extensions	Ratio of One Month to Three Month Extensions	Ratio of Two Month to Three Month Extensions
Intercept	1.9090 ^c	1.3460	0.9269
	(33.74)***	(8.25)***	(41.72)***
TREND	-.0009	-.0114	-.0079
	(-0.43)	(-5.07)***	(-9.40)***
TRENDSQ	-.000005	.00006	.00005
	(-0.26)	(3.41)***	(6.38)***
FEE	.1324	.3113	.1357
	(1.68)*	(4.45)***	(4.54)***
LAG	-	.2215	-
	-	(2.49)***	-
R-squared	0.03	0.51	0.49
Durbin-Watson	2.09	1.98	2.07
Observations	120	119	120
^a Small entities include individuals and businesses with no more than 500 employees ^b Variable Definitions: TREND = a series starting at one and growing by the constant amount B=1 each time period, TRENDSQ = TREND squared, FEE = a zero-one indicator variable, B=0 for the period October 1984-October 1990, and B=1 for the period November 1990-September 1994, LAG= the dependent variable lagged one time period (month) back. ^c t-statistic reported in parenthesis, significant at ten (*), five (**), and one (***) percent levels using two-tail P-values.			

Statistics prepared by the Patent Office also support the conclusion that the 1990 intervention precipitated an overall increase in extension time purchased. For fiscal year 1990, the fiscal year prior to the implementation of the November 1990 fee increases, the average patent pendency period was 18.3 months. (The Patent Office operates on an October through September fiscal year.) For fiscal year 1991, the year the fee increases went into effect, average patent pendency period was 18.2 months. In 1992, the first full fiscal year following the implementation of the 1990 fee increases, average patent pendency increased to 19.1 months. Average patent pendency increased again in fiscal year 1993 to 19.5 months, fell in fiscal year 1994 to 19.0 months, and then increased again in fiscal year 1995 to 19.2 months (1990-1995 Commissioner of Patents and Trademarks Annual Reports).

CONCLUSION

The results from this study suggest extension fee levels can affect the amount of applicant delay in the patent process. Given the 1990 pro rata increases in extension fees, the time-series regression results indicate a negative relation between fee levels and purchases of three month extensions, but a positive relation between fee levels and purchases of one month and two month extensions. The evidence further suggests the increased demand for one and two month extensions more than offset the reduced demand for three month extensions, thereby producing an overall net increase in the amount of extension time purchased.

One possible explanation for the overall increase in applicant delay following the Omnibus Budget Reconciliation Act of 1990 is that large entity applicants and their attorneys were operating at or near capacity in processing their patent applications and that by shifting to shorter extensions they ended up needing more time to get through the patent process. Under this "pooling" explanation, applicants and their attorneys manage their active patent applications as a group, effectively substituting numerous short delays for fewer long delays. Small entity applicants responded to the 1990 intervention in much the same manner as large entities, however, small entities did not increase the total amount of extension time they purchased. One possible explanation for this result could be that small entities manage fewer patent applications than large entities, and therefore, the shift to shorter extensions did not produce the negative effect on efficiency as was the case with the large entities.

What emerges from this study is a complex relationship between extension fee levels and applicant behavior. In the past much of the debate on patent fees has revolved around generating sufficient revenue to operate the Patent Office. The findings in this study suggest the debate also should include consideration of the behavioral consequences associated with alternative extension fee structures.

REFERENCES

Kmenta, J. (1971). *Elements of Econometrics*. New York: Macmillan Publishing Co.

Maddala, G. (1977). *Econometrics*. New York: McGraw-Hill.

Miller, S. (1992). Undue Delay in the Prosecution of Patent Applications. *Journal of the Patent and Trademark Office Society*, 74 (October), 729-749.

Mosher, E. (1992). Wither Away the U.S. Patent Office?, *Journal of the Patent and Trademark Office Society*, 74 (May), 335-337.

Schmookler, E. (1954). The Level of Inventive Activity, *Review of Economics and Statistics*, 36 (2), 183-190.

SOCIAL DUMPING AND INTERNATIONAL BUSINESS ENVIRONMENT

Nader Asgary, State University of New York-Geneseo

ABSTRACT

This paper examines social dumping as the origin of an abundance of injustices around the world. Typical profit maximizing operations often result in substandard wages and deplorable working conditions for factory employees. Practical solutions have yet to be implemented to correct the negative effects of social dumping. The purpose of this paper is to examine the effects of social dumping on the international business environment. The research and methodology examines the impact of human rights, labor regulations, and labor activists on this practice.

The present mission is to highlight the problems of social dumping that lie in the existing structure of international business. The current technological improvement and information-sharing era has made globalization of firms easier. As a result, decision-makers need to be aware of the comprehensive effects of their actions. The damage to social and economical development that social dumping causes is an issue that executives in the business community need to be aware of. Creating awareness of these injustices will hopefully lead to the development of feasible solution.

INTRODUCTION

Globalization has enabled businesses to reduce production costs by manufacturing products in developing nations and then selling those products abroad for substantially lower prices (Ball & McCulloch, 1999). This business practice, known as social dumping, produces profits and also creates an ethical controversy by exploiting laborers. The majority of workers that live in less developed nations are treated poorly (Davids, 1999). Research regarding the problems aspects caused by social dumping is limited. Large global firms and weak regulatory labor standards are largely responsible for this abuse of workers (Miranda, 1996). The purpose of our paper is to examine the negative effect of social dumping on the international business environment, and propose an ethical imperative on managers to control it. In our examination we will consider the impact of labor regulations, human rights, labor activists, and trade agreements on this practice.

In essence, social dumping allows developed countries to set up production factories, many of which are in the form of foreign subsidiaries, which manufacture the goods that take advantage of cheap labor. These products are then imported back into the developed nations and sold for a lesser price than that of indigenous goods. Social dumping creates a vicious cycle; the factory workers need to earn a living, yet they are underpaid and unprotected. Given that international

trade affects every country, there must be an effective system of standards to ensure fair treatment that will promote development of all economies. It is also imperative that these agencies do their best to maintain fair trade and minimize the violation of human rights (Golub, 1997). The lack of regulations and enforcement facilitates dumping. Labor standards must transcend countries in order to prevent dumping and protect fundamental human rights. The rose-colored glasses of capitalism and the maintenance of free trade often deflect the harm that international trade indirectly causes. Holding everything else constant, this continual cycle may have impacted negatively economic growth in less-developed countries.

LITERATURE REVIEW

Labor Standards

Presently, no worldwide labor standards exist (Torres, 1996). Industrial nations claim to want to implement tactics such as trade sanctions against those nations that violate labor standards (Golub, 1997). However, developing nations believe that the initiation of a set of core labor standards is merely a form of protectionism by the developed nations and that there is no direct link between fair trade and labor standards (Torres, 1996). Torres further reports that developing nations also feel that the implementation of the core labor standards will have a negative impact on free international trade due in part to the use of trade sanctions. The leaders of some of the less-developed countries show less concern for the overall well being of their citizens and long-term development of the country than the interest of special groups (internal and external).

In an effort to try to eliminate the abuse of workers, the Organization for Economic Cooperation and Development (OECD) and the International Labor Organization (ILO) have developed a set of core labor standards. These standards advocate the elimination of exploitative child labor, the abolition of forced labor, non-discrimination in employment, as well as freedom of association and collective bargaining. The OECD deems these labor standards to be justifiable because they promote human rights. Minimum wage and social protection are not included in the OECD defined standards because they depend upon economic development of a nation and are not considered human rights (Torres, 1996).

Economic efficiency is related to the degree of labor standards and usually has a positive or neutral effect on economic development, though inefficiency directly results in low productivity (Golub, 1997). The low labor standards and low wages are reflective of the overabundance of low productivity and unskilled labor in developing countries (Golub, 1997). Leaders of developing nations are convinced that low wages and low labor standards attract foreign investment in local businesses and attract multinational firms to move operations to their nations in order to cut labor costs. Industrialized nations that adhere to this postulation are being illogical because if low wages lead to low productivity, any advantage accruing from employing low-wage labor is counterbalanced (Golub, 1997). Therefore, the only nations being hurt by low wages and low labor standards are the nations employing them; it is immobilizing further

development and exploiting the citizens within these boundaries. If the enforcement of the core labor standards is not feasible, then the quality of life in developing nations is a concern. International Product Life Cycle theory predicts that in the long-run less developed countries would produce and export to developed (home) countries. Assuming that less developed countries invest resources on human capital development of the labor forces (i.e., South Korea).

One of the problems with the core labor standards involves their promotion and implementation. The main causes of non-promotion and non-observance of the core labor standards are the lack of democratic political systems, poverty, and most importantly, the lack of enforcement. In nations that lack a democratic political system and where poverty is widespread, the problem is that majority of people have no political voice. Leicht (1998) state that "because of very incomplete political markets in developing countries, characterized mostly by dictatorships, autocracies and oligarchies, the interests of the working poor are normally not taken into account" (p.173). In developed countries working people have less influence on political process and public policies relative to other classes in the society. In order to curb this problem in developing countries, the core labor standards must be enforced so as to improve the quality of life for the workers.

The problem of enforcement is the responsibility of ILO. When the ILO was created, it had two fundamental aims; to improve the conditions of working people through reform and humanistic concern and by making the working conditions better and more equitable in different countries via fair competition (Hansenne, 1996). In this article we deal with the latter issue. ILO have established the core labor standards but their enforcement method (namely trade sanctions) have been ineffective. Trade sanctions hinder the development of labor standards in developing nations and hampers free trade among nations. This happens because the "loss of access to markets in the developed world hamper the growth prospects of developing countries and thereby retard the upgrading of their labor standards. Trade sanctions are thus likely to be counterproductive as a means of encouraging improvements in such standards" (Golub, 1997, p. 22). If trade sanctions have a detrimental effect on the improvement of labor standards and trade, then how should we handle the problem of enforcement, and should others take responsibility for their own actions?

One possible way of handling the problem of implementation and enforcement of the core labor standards might be that financial aid be given to developing nations that are comply with the ILO's standards. Moreover, this aid could be directed towards improving the educational systems, thereby lessening the need for child labor (Torres, 1996). Aids can be most effective if it is directed towards human capital development of the people and improvement of the quality of life for ordinary people.

Another method is to shift the responsibility to the corporations that adopt an international code of ethics (Asgary & Mitschow, forthcoming). This would mean that corporations operating outside of their own countries would follow the same codes of conduct and roles and regulation if they were operating in their own countries (Golub, 1997). Another way in which to deal with the issue of non-compliance with the core labor standards would be to increase consumer knowledge of the products that they are purchasing so as to shift the

responsibility to them. Extensive product labeling might help the consumers know which products are made by those who do not follow the core labor standards (Golub, 1997).

These methods of dealing with the implementation and enforcement of the core labor standards are viable solutions. In order for these to work, responsibility must be taken, not only by the ILO, but also by both developed and developing nations, multinational corporations, and consumers. If responsibility is not taken, increased global competition may lead to a reduction in labor standards. Ethnicity tends to be disregarded when evaluating business and consumer behavior and in actuality it plays a vital role to understanding operations (Rossiter & Chan, 1998).

Human Rights Violations

Michalos (1997) warns of issues in business ethics, such as social dumping, that must be paid attention to in the upcoming decade. Social dumping contributes to the acceptance of inhumane conditions around the world. It should come as no surprise to the international community that due to unethical business practices, there are violations of human rights occurring in some part of the world, notably in developing countries. Embedded in the structural system of the global village is the abuse of sweatshop workers, especially women and children (Pilisuk, 1998). Sweatshop charges against U.S. companies have been widespread, but recent developments leave European businesses facing anti-sweatshop campaigns as well (Echikson, 1999). Echikson raises the prospect that because the U.S. and Europe consume 40% of global apparel, if codes of conduct for labor standards of the international factories were adopted, it could reduce the ruthless competition that keep wage controls and working conditions nearly non-existent in some part of the world.

The ethical dilemma falls primarily on large international companies and factories that allow the maltreatment of humans. Where does an organization's priorities lie when consumer interests are forcing social dumping by the consumers desires to benefit from the low prices of products and imports (Asgary & Mitschow, forthcoming; Miranda, 1996)? According to Miranda, with regards to free trade principles, society should concede to the idea that it would be unwise to restrict the import of cheap goods, regardless of the cause of cheapness or harm to the domestic industry, so long as their price is sustainable. Free trade principles hold little regard for the human harm being caused by social dumping practices, provided that markets are growing and active. The free trade theory may have to incorporate the well being of members of the society.

It seems that the profits gained by industrialized markets are yet another tragic example of the rich exploiting the poor. Craig and Douglas (1996) suggest that firms in the international industry must possess adaptability, what they fail to neglect is maintenance of the international factory's domestic standards of responsibility. The combined GDP of the 48 least developed countries do not equal the assets of the three richest people in the world (Flanders, 2000).

What can corporations do to correct the problem of human rights violations in the international environment? Leeson (1998) describes disengagement, specifying standards of

performance between a partner and supplier, appears to be a viable approach. However, when Nike and Reebok adopted a method of disengagement in Pakistan by implementing regulated factories, many women and children found themselves out of work. By installing regulation, the income that was relied on by their families was no longer received (Leeson, 1998). It is a double-edged sword in many situations; the economies of developing nations are dependent upon multinational factories, yet the conditions are atrocious and worker's wages are minimal. These companies can invest some resources in the development of human capital of the workers and their family members.

Labor Activists

There are many organizations that advocate the fair labor working conditions around the world. The Fair Labor Association (FLA) is a White House sponsored alliance that was created in support of workers rights. Within the past year, increases in wages, improvements in working conditions, and pushes for human rights in companies have been made (Collier, 1999). Collier states that membership is growing, and with Nike and Reebok joining, its success is beginning to show. This goal of the FLA coincides with that of the ILO's goal of establishing a set of core labor standards.

Global Exchange is an activist group that is attempting to stop the suffering of workers in American owned foreign factories. Global Exchange is a relatively small activist group that uses grass-roots campaigns to notify the public of inhumane conditions in foreign factories. The organization advocates an end to the exploitation of cheap labor and they state that they will speak out against American companies until that day comes. Jubilee 2000 is an activist group that advocates debt relief to third world countries. Debts are due to poor authoritarian governments, however, if Industrialized nations can offer relief, it will be in exchange for minimal standards of decency for the workers and citizens (Greider, 1999).

Some government agencies formed by developed countries have enacted laws to deal with the issue of dumping. These laws have created antidumping tariffs, which are actually a type of trade barrier (Klitgaard, 1998). In some cases they have been effective, while the majority of the time they seem to worsen or offer no change to the economic conditions of the industry. Harbert (1998) state that "There is a complete disconnect between the theory of antidumping and the practice of antidumping" (p.71).

Trade Agreements

The trading agreements formed in North America, such as NAFTA, have been criticized for allowing the opportunity for ubiquitous social dumping (McGuinness, 1998). The United States, Canada, and Mexico created the North American Agreement on Labor Cooperation, NAALC, which requires all members to enforce their domestic labor laws. NAFTA has become a pioneer in forming trade alliances between developing and developed nations, and therefore, has exposed itself to international assessment and criticism. The labor regulatory structure of

Mexico should receive more credit from the critics who describe it as a "disorganized failure that will lead to wide-scale social dumping in North America" (McGuinness 1998, p. 402). Expansion of trade agreements already formed will intensify the volume of trade and thus drive economic growth (Bernal, 1994). The opponents argue that the structure of Mexico's labor regulations are weak and inefficient. Interestingly, the degree of criticism that the regulatory structure of Mexico received has not been thoroughly analyzed (McGuinness, 1998).

As is the case with some developing economies, Mexico does suffer from a shortage in financial, technology, and human resources. However the nation strives to protect workers from harm such as illness, injury and accidents. The labor regulatory structure of Mexico should receive more credit from the critics who describe it as a "disorganized failure that will lead to wide-scale social dumping in North America" (McGuinness 1998, p. 402).

It is evident in today's international business environment that when trade agreements are reached, they undoubtedly change the way business transactions occur. Trade agreements liberalize tariffs and regulations between the member nations as well as create a descending push on standards concerning wages, labor, health, safety, and environment (Elmslie, 1996). Expansion of trade agreements already formed will intensify the volume of trade and thus drive economic growth (Bernal, 1994). Wage and living standards in Mexico are inferior to that of the United States or Europe. For this reason, Gary Hufbauer, senior economist of the Institute for International Economics, has suggested that we push toward trade with European countries to avoid the possibility of social dumping because of trade with Mexico (Elmslie, 1996).

Members of the European Union (EU) have significantly higher standards than most, if not all, of the developing nations (Anonymous, 1997). Therefore, it would reduce the risk of social dumping if trade efforts with the EU and other such nations was intensified. Furthermore, other industrialized nations have similar ramifications for companies that partake in dumping. With similar regulations it makes for swift justice in the case of unethical conduct on the part of corporations guilty of dumping. The European Union has recently set up stringent guidelines for litigation against such corporations, which nonetheless allows for fair foreign competition within certain boundaries (Anonymous, 1997). The European Union often endures the consequences of dumping, and therefore engages in protectionism to guard against importers competing in the domestic market. Laroski (1999) concludes that due to the unfair trade practices of the U.S., there is no incentive for non-market economies to transform to market status.

In addition, the execution of preferential trade agreements encourages peace relations and ensures against future conflicts (Mansfield, 1998). According to the World Development Report 1999/2000, there are two main benefits from trade liberalization to developing countries (p. 52). The first argument states national incomes are raised in areas where resources are allocated to the production of goods and services and the second is that liberalization will allow for the concentration of economic activity in particular regions.

RECOMMENDATIONS

Companies become less competitive if cheap foreign labor is not taken advantage of. Corporations must collectively realize their ethical imperative to end participation in the violation of human rights. Potential solutions include establishing standardized international trade laws, increasing labor standards in developing countries, and challenging managers to accept their ethical imperative.

In theory, establishing a set of laws would create a better and more unified international trading environment, but it is not realistic. It would be unwise and practically not feasible to force a country to agree to follow these laws except possibly through economic incentives. The problem with implementing enforced trading regulations is that it largely interferes with free trade.

A second solution would be to stress the importance of increased labor standards in developing countries. A change in labor standards would have to be enforced by the domestic government in the developing country. This solution has its flaws, in that less-developed countries cannot be expected to handle the burden of increased responsibility. There is also a larger chance for increased corruption in these politically unstable environments.

A third solution is an ethical imperative that needs to be accepted by decision-makers and demanded by consumers. Implementation is dependent upon the ability to command protection for all members of our global society.

The above suggestion poses potential solutions to the problems caused by social dumping in developing countries, however they are not sustainable solutions. In fact, the possible answers of establishing uniform trade laws, forcing governments to increase labor standards, or eliminating trade agreements that financially benefit governments and corporations, are destined for failure due to their impracticality. Another solution may also be sufficient; a rudimentary understanding of worker rights. However, it is hard to convince profit driven companies that ethics and morals are more important than returns and revenue. Perhaps if the largest corporations began acting ethically, the rest of the industries would be forced to join suit. According to Weaver et al. (1999) organizations often imitate each other and the good business practices of standard-setting organizations cause others to act in a similar manner.

CONCLUSION

The corporations are becoming aware of the general public's outrage with the conditions in foreign factories and the treatment of workers. Labor activists have made extensive use of media to communicate to consumers about the deplorable conditions in some factories around the world. In return, consumers have shown corporations that ethical treatment of workers is an important factor.

This project warrants further study because it is an interesting and relevant topic in today's global economy. We believe that a more comprehensive model must be developed in order to put an end to the appalling conditions workers face in foreign factories. Furthermore, a more quantitative analysis that is supported by data should be performed to show the specific

impact that social dumping has on the global economy in addition to the extension of the research.

In some business schools classes tend to focus on the importance of productivity, results, and profit margins. The facts concerning the harm that some corporations may have caused by mainly striving to increase their wealth, is not given enough attention. All of us as the final user of the products must ask ourselves, at whose expense do these gains come from?

Endnote

- 1 I would like to acknowledge and thank the contributions of Jennifer Gleason, Gavin Pratt, David Rockett and Keith Galati to this article.

REFERENCES

- Anonymous (1997, October 22). Anti-dumping on the wane. *Business Europe*, 1-2.
- Asgary, N. & Mitschow, M. (forthcoming). Toward a model of international business ethics, *Journal of Business Ethics*.
- Ball, D. & McCulloch, W. (1999). *International business*. New York: Irwin McGraw-Hill.
- Bernal, R. L. (1994). From NAFTA to hemispheric free trade. *Columbia Journal of World Business*, 29, 22-31.
- Collier, R. (1999, April 7). U.S. firms reducing sweatshop abuses/but wages still at poverty level. *San Francisco Chronicle*, A1.
- Davids, M. (1999). Global standards, local problems. *The Journal of Business Strategy*, 20, 38-43.
- Echikson, W. (1999, July 19). It's Europe's turn to sweat about sweatshops. *Business Week*, 3638, 96-98.
- Elmslie, B. & Milberg, W. (1996 May-June). Free trade and social dumping: Lessons from the regulation of U.S. *Interstate Commerce*. *Challenge*, 39, 46-52.
- Flanders, L. (2000, February/March). 10 laws that will make your blood boil. *Ms*, 10, 14-19.
- Golub, S. S. (1997, December). Are international labor standards needed to prevent social dumping? *Finance and Development*, 34, 20-23.

-
- Hansenne, M. (1996). International trade and labour standards: The ILO Director-General speaks out. *International Labor Review*, 135, 230-236.
- Harbert, T. (1998, September). Getting dumped, *Electronic Business*, 24, 68-74.
- Greider, W. (1999, December 20). The Seattle protesters got it right. *Business Week*, 3660, 25-26.
- Klitgaard, T. & Schiele, K. (1998). Free versus fair trade: The dumping issue. *Current Issues in Economics and Finance*, 4, 1-6.
- Leeson, H. (1998, August/September). Human rights, corporate wrongs. *The World Today*, 54, 228-230.
- Mansfield, E. D. (1998). The proliferation of preferential trading arrangements. *Journal of Conflict Resolution*, 42, 523-543.
- McGuinness, M. J. (1998). The landscape of labor law enforcement in North America: An explanation of Mexico's labor regulatory policy and practice. *Law and Policy in International Business*, 29, 365-413.
- Michalos, A. C. (1997). Issues for business ethics in the nineties and beyond. *Journal of Business Ethics*, 16, 219-231.
- Miranda, J. (1996). Should antidumping laws be dumped? *Law and Policy in International Business*, 28, 255-288.
- Pilisuk, M. (1998). The hidden structure of contemporary violence. *Peace & Conflict: Journal of Peace Psychology*, 4, 197-216.
- Rossiter, J. R. & Chan, A. M. (1998). Ethnicity in business and consumer behavior. *Journal of Business Research*, 42(2), 127-134.
- Torres, R. (1996, October November). Labor standards and trade. *The OECD Observer*, 202, 10-12.
- Weaver, G. R., Trevino, L. K. & Cochran, P. L. (1999). Integrated and decoupled corporate social performance: Management commitments, external pressures, and corporate ethics practices. *Academy of Management Journal*, 42, 539-552.

INSURANCE AT RISK: THE GENOME THREAT

Bruce Coggins, Truman State University
Val Larsen, James Madison University
Neil D. Gilchrist, Truman State University

ABSTRACT

Recent developments in genetic science that increasingly make risk calculation possible at the individual level threaten to undermine the traditional logic of the health insurance industry and the positive social externalities of private insurance. But traditional private risk pooling can be preserved if laws preclude the use of genetic information in insurance underwriting. A prohibition on the use of genetic information should be coupled with policies that encourage participation in and discourage free riding on the private health care system—i.e., tax changes that make health insurance universally deductible (or nondeductible) and legal provisions for attaching the wages of those who incur uninsured medical costs.

INTRODUCTION

Our humanitarian tendencies compel most of us to believe that a person's medical needs, especially when they are unforeseen and costly, ought to be met. In many wealthy countries these needs have been met by the state, but that arrangement has left most users of medical care dissatisfied because of inefficiencies that ration access and inhibit the use of the latest and best medical techniques (Ebeling, 1994). In the United States, by contrast, most medical care is provided through the private sector via either insurance or managed care. Under either of these systems, individuals make payments into a fund that is obligated to cover contracted medical costs. When such a system functions properly, individuals having claims in excess of their payments are covered by those making payments in excess of their claims. This more market oriented system produces greater levels of satisfaction because, unlike in state run systems, provision of the best medical techniques is encouraged by the profit motive and these services are not, therefore, as severely rationed (Reed, 1994).

However, this private medical system in the United States is under stress because larger and larger pockets of the population fail to make payments to the entities that are forced to cover a substantial portion of their medical costs (Finger, 1999). These uncompensated expenses force up the cost of medical insurance and hospital bills for those who do make payments to the system. These higher costs, in turn, encourage more people to drop out--setting up a dynamic that persistently raises costs for those who pay and, thereby, exacerbates the problem. If policy changes don't discourage the behavior, this practice of opting out will make health insurance prohibitively expensive, especially for many of those most in need of it. Thus, social benefits derived from risk pooling will be lost. The problem is likely to be exacerbated as increased

understanding of the human genome in general and of one's personal genetic risks further undercuts the principle of risk pooling and the insurance industry that has been built upon it.

The purpose of this paper is three pronged. It will identify policies that discourage opting out of the medical insurance system and that, thereby, keep insurance affordable through broad participation with those facing few medical costs providing funds necessary to care for those with substantial medical costs. It will discuss policies that can be adopted to prevent increased knowledge of the human genome from destroying incentives individuals now have to participate in the pooling of medical risks. Finally, it will review policies that can encourage greater efficiency in the production and consumption of medical care. We will begin the inquiry by looking at the basic principles upon which the medical insurance industry is built.

THE PRINCIPLE BEHIND INSURANCE

Individuals in a modern, medically sophisticated economy are exposed to potentially ruinous costs and/or the risk that they will be unable to afford necessary treatments. Not knowing what their medical future may be, they purchase insurance for financial protection and an assurance that they will receive required medical treatment. In addition to medical insurance, a typical middle class household will purchase automobile, homeowner, and life insurance. They opt to purchase this insurance because in each of these areas, they are unable to assess what costs they might have to bear. Insurance helps them prepare for an unknowable and potentially negative future. Firms sell automobile, homeowners, life, and health insurance policies because, unlike individuals, they can reliably estimate using statistical techniques future costs that will be incurred by their large groups of policy holders. Knowing what these costs will be, they can set rates that both cover average costs and return a normal competitive profit. To remain competitive in attracting customers with relatively low risk profiles, insurance firms use their pay out histories to assign potential customers to categories ranked by level of risk. Higher rates are charged to consumers in higher risk categories. Moreover, the rate schedule and other incentives encourage the ensured to minimize the risks to which they expose themselves. Thus, firms find a profit opportunity in selling insurance because when risks are pooled, costs become known (Santomero & Babbel, 1997).

The result is a win-win situation. Individuals are able to purchase insurance policies to protect themselves from costs that are, to them, unknowable and potentially ruinous. Firms relieve the anxieties of their individual customers and, at the same time, make reliable profits because the laws of large numbers permit them to reliably estimate the future costs of caring for their many clients. But it isn't only the individual consumer and the firm that benefits from this arrangement. This mutually beneficial relationship also produces a positive externality that benefits the larger society. By purchasing insurance, an individual pays into a fund that will pay costs, should they arise, that the consumer could not afford to pay him or herself. Because it collects premiums from many policyholders, the insurance company has the financial resources necessary to pay the costs incurred by an unfortunate subset of all those insured. The end result is that the entire group of policyholders bears the cost of risks confronted by each but only

suffered by an unfortunate few. The needs of the most unfortunate are met voluntarily, in an act of self protection, by their more fortunate fellow consumers (Hubbard, 2000). The larger society is not burdened with the costs of caring for the least fortunate or of watching them suffer unaided.

An inability to assess risks and costs at the individual level is a precondition of this socially beneficial arrangement. If risks and costs can be reliably estimated at the individual level, those who face a low risk are likely to choose to manage costs themselves. If they do choose to buy insurance, they will insist on purchasing it at a low cost which reflects their limited risks. On the other hand, those who face greater risks will find they are unable either to purchase affordable insurance or to manage themselves the costs they incur. Costs are no longer assessed at the group level where low risks and low costs can offset higher risks and higher costs.

Risk being estimated at the individual level, individuals have to pay the full projectable cost to which they expose the insurer. This makes insurance unaffordable for many of those who need it most. We are likely to face this circumstance in the near future because risk assessment at the individual level is becoming increasingly practicable (Collins, 1996).

MEDICAL INSURANCE AND KNOWLEDGE OF THE GENOME

Knowledge of the human genome and its health implications is growing exponentially. While this increase in knowledge will undoubtedly bring many benefits, it will also substantially undermine the insurance industry and threaten the positive externalities that have been a byproduct of the industry. As previously indicated, today, medical insurance risks are pooled into various risk categories because insurers are able to accurately forecast costs only at the group, not at the individual level. But new genetic tests developed by researchers make it increasingly possible for individuals and insurance companies to reliably identify individual health risks and likely future costs (Task Force, 1996). This may encourage individuals who face limited risks to drop their health insurance. And it will enable insurers, through genetic screening, to sell medical insurance policies with rates set to reflect a particular individual's genetic risk profile. Thus, our increased understanding of how the human genome determines a particular individual's risk for costly health outcomes may destroy the risk pooling logic that has been the foundation of the insurance industry for over one hundred and fifty years and that has induced people to join together to cover the outsized costs of the unfortunate few. The genetically unlucky, whose ability to earn is often, in any case, compromised by their ailments, may be left to fend for themselves (Finger, 1999; Kaplan et. al., 1996). Or they may be forced into government operated medical programs that usually exhibit unacceptably low levels of patient satisfaction and unacceptably high levels of inefficiency (Ebeling, 1994).

The chances that genetic screening will bring about this undesirable result are high. That genetic screening will enable insurers to accurately assess medical risk at the individual level is apparent from the great interest pharmaceutical companies have taken in recent research into the structure of the human genome and the massive investments they have made to further that research. These companies are interested in human genetic information because they believe

that it will help them understand what causes various diseases. This understanding will then allow them to create drugs to treat these diseases that are more effective and have fewer side effects (Thomas, 1974). These new products will be both highly beneficial and very expensive. They will make the social dilemma we focus upon in this article still more acute. Expensive new remedies will be available to patients with genetic problems, but insurers will be able to identify individuals likely to need the expensive remedies and will decline to insure them at the low rates that were available when those most at risk could not be identified and assigned the full cost of treating their condition.

POLICIES TO MAINTAIN MEDICAL RISK POOLING

How can this problem be resolved? Focusing first on the behaviors and incentives of insurance companies, the simplest and least intrusive way to prevent our new understanding of the human genome from ending medical risk pooling is to make it illegal for insurers to use any direct or indirect genetic information when determining medical insurance premiums. A law of this sort would preserve the risk pooling status quo, for insurers will have to continue their practice of assessing costs and setting rates in the aggregate if they are unable to use this information.

Insurance companies might even welcome and lobby for the passage of such a law. In its absence, competitive pressures would soon force all companies to engage in genetic screening and attendant cherry picking of customers with the lowest individual risk profiles. Any company that tried to maintain higher rates to cover high risk customers would eventually lose all its more healthy customers to cherry picking competitors with lower rates and would have to raise rates to unaffordable levels for those that remained or go bankrupt.

These competitive pressures would force companies to behave in a way that would ultimately be damaging to the industry. The industry would be damaged in that the range of maladies it protected against would be dramatically narrowed, as would its overall premium income. If the industry were known to accept at affordable rates only low risk policy holders, anyone they offered to underwrite would know that the insurance product had a relatively low expected future value. Consequently, customers wouldn't be willing to pay much for it. Moreover, public support for the industry would undoubtedly decline if it couldn't so plausibly feature its socially beneficial role of meeting the needs of those who face misfortune through no fault of their own. Analyzing the situation at the level of the industry as a whole, insurance companies have an interest in maintaining as much individual uncertainty about the future as possible so that consumers will have an incentive to use the companies' risk pooling services.

Thus, so long as all their competitors were bound by the same law, individual insurance companies would benefit from its existence. And as is the case in the food, petroleum, and airline industries (where companies monitor competitor's nutrition labeling, gasoline reformulations, and adherence to airline safety regulations), each insurance company would have a powerful incentive to monitor their competitors' compliance with the no genetic screening law. They would inform the government of any violations of the rule by other firms because the

violations would put them at a competitive disadvantage. Their incentive to monitor could be heightened by allowing them to sue noncompliant competitors for triple damages. This arrangement, which has worked well in other industries, would permit enforcement of the regulation without the creation of a new government agency to monitor compliance.

POLICIES TO ENCOURAGE THE PURCHASE OF MEDICAL INSURANCE

While making genetic screening illegal for underwriting purposes would preclude a movement away from risk pooling on the part of insurers, it would not address the problem of free riding individuals who choose not to ensure themselves, a problem that could well be aggravated by increased knowledge of personal genetic risk or, more precisely, lack of risk. Fortunately, the prospect theoretical tendency to weigh potential losses more heavily than potential gains helps ensure that most people will want to be insured against residual risks even if genetic tests assure them that they face few if any genetic risks. But many choose not to buy medical insurance for themselves and their dependents because they realize there is substantial public sentiment that medical care is an entitlement. They rightly believe that, in the end, they will get necessary medical care whether they are insured or not. The costs are borne in part by taxpayers and in part by those who are privately insured as hospitals and other medical facilities raise costs for those who do pay to cover the costs of treating those who don't. This hidden tax on private insurance, in turn, raises its cost and forces some who would prefer to be insured to take their chances as a free rider instead. To maximize risk pooling and fully reap the social benefit of affordable insurance for all, this free rider problem must be minimized.

To minimize the free rider problem the potential cost of being a free rider must be increased. For both political and humanitarian reasons, denying medical care to the uninsured cannot increase this cost. Few people would be willing to deny needed medical care to a child who happens to be uninsured due to the negligence or poverty of a parent. Nevertheless, those who are contemplating dropping or forgoing insurance coverage should face some negative financial consequence if they attempt to shift their medical costs to others.

One cost that could be effectively imposed by law is the attachment of an uninsured person's earnings to discharge unpaid medical bills for which they are responsible. To have the fullest effect, this attachment should have unlimited duration, continuing until all medical bill plus interest and administrative costs are paid in full. Interest should be charged because the unpaid balance of the bill would effectively be a loan. An administrative fee should be charged to cover the government's cost of running the program. And a penalty might be assessed to help defray cost incurred by the uninsured who die and who cannot, therefore, be held accountable for their medical expenses. In total, the expected value of the attachment, interest, and penalties the uninsured could expect to pay should exceed the cost of basic insurance coverage. Imposing these costs by law might provide a sufficient incentive for most people to buy basic catastrophic medical coverage. Since the poorer segments of the population are those that most often opt to be free riders and whose wages are, therefore, most likely to be attached, the attachment law might be coupled with an expansion of the earned income tax credit to help those who are least well off afford private medical insurance (Adler et. al., 1993, 1994). This carrot and stick

approach should do much to reduce the free rider problem. If successful, it would drive down insurance costs for those who purchase insurance both because it would eliminate the hidden free rider cross-subsidy tax and because it would enlarge the pool of insured policyholders who contribute premiums to meet medical and administrative expenses.

The attachment provision might be coupled with one other change in law. In the United States since World War II, medical insurance payments have been income that is free of taxation, but only when the payments are made by an employer. Consequently, many employers provide employees with an untaxed medical benefits package. Since purchases are made by employers with all employees of that employer receiving the same package of benefits, risk has been pooled at the level of the employer. Thus, the laws of large numbers have meant that small firms have faced a greater variance in their insurance costs than large firms have. The situation of those who have not been insured by their employer has been still more precarious, and not only because they have to pay taxes on their insurance premiums. Being an individual and being outside of the economic mainstream, they pose greater risks and costs for insurance companies while also having less bargaining power. They, therefore, face higher premiums than others do.

This problem can be alleviated by making all money spent on medical insurance free of taxation (or, alternatively, by taxing all premiums). Were this provision passed into law, many employers would drop their medical benefits and give premiums to employees as salary—as some are beginning to do in spite of current tax provisions (Finger, 1999). Employers thereby offload administrative costs and legal risks that have been increasing in recent years. And employees get to purchase the mix of insurance benefits that they most prefer instead of having only the limited set of options selected by their employer. Because they more specifically meet individual needs, the utility of individually purchase policies should be higher than that of group policies, provided that insurance companies reorient their business to the individual customer, as they would surely do if most customers were individuals instead of employers, as at present.

Were they enacted, the provisions we have proposed—limiting genetic testing, expanding the tax exemption on medical insurance payments to individuals, and attaching the earnings of free riders while expanding the earned income tax credit—would substantially maximize the pooling of medical risks. And this pooling of risk would produce the social benefit of making medical insurance affordable for the healthy, the unhealthy, and those in between. But affordability is not the only important goal, and restrictions on the insurance companies' use of medical information has the potential to eliminate important incentives for individual self care and cost monitoring. This problem is our next and last topic.

INCREASED EFFICIENCY IN THE MEDICAL INSURANCE MARKET

Shifting the responsibility to select and purchase insurance from employers to consumers has great potential to increase the efficiency of the medical system. It enlarges the market because all consumers become part of a single body of insurable customers rather than being Balkanized by employer. This arrangement will tend to give all insurers competitive access to all consumers and visa versa. It will increase competition as medical insurance firms each strive

to maximize their share of the new, larger market. At the same time, the change in competitive focus from employers to individuals will increase efficiency by giving insurers an incentive to offer a wider variety of products designed to better fit the varied needs and wants of the many individual customers who now make purchase decisions. The development of niche markets will make the overall system more efficient, for efficiency increases whenever vendors are permitted to offer and consumers to purchase products that more precisely fit consumer preferences. In addition, large competitive markets always force producers to focus on price as a competitive tool, providing consumers what they want at the lowest possible price (Hubbard, 2000). This price competition will give those who provide medical insurance a powerful incentive to increase medical care efficiencies so costs can be cut and market prices reduced. The cost focus of businesses will be reinforced by the cost consciousness of the individual consumers who tend to be more price sensitive and more knowledgeable about needs and treatments than the large employer institutions which currently monitor services and prices.

Shifting responsibility for making purchases to individuals will have one other major benefit. A major cause of inefficiency in the medical care industry is the demands of the insured for the latest and most expensive care even when such care is not more efficacious than cheaper alternatives. Patients demand this care because they are not directly paying the cost and, therefore, have no incentive to acquire information that would deconstruct the many spurious price/quality associations they now naively accept. At present, the costs of unreasonable patient demands are apparent only to the employers who see their effects as they are compelled to pay new, higher premiums to cover the costs of unneeded, high priced treatments. Once patients themselves choose policies and pay for them directly, they will more directly confront these costs. They will quickly find that basic and limited plans covering only the most cost effective efficacious treatments are much less expensive than more unrestricted plans. They will also find that plans that require the consumer to pay a portion of their medical costs will be much cheaper than those that don't because they give consumers a powerful incentive to avoid unnecessarily costly procedures. Because increased efficiency will produce much lower premium costs, most consumers will, out of self-interest, purchase plans that require them to be much more judicious and limited in their care demands. And they will learn to monitor bills sent by hospitals and other health care providers, an important function that is currently handled at high cost by an ill informed insurance bureaucracy rather than by the patient who knows first hand what treatments have and have not been given.

Legal restrictions on what information insurers can use in setting and raising rates should follow from a moral point that has great practical importance—people should not bear costs imposed by their non-discretionary attributes but should bear costs imposed by their discretionary behaviors. The health care system will be humane only if it offers affordable coverage for people afflicted by chance with costly medical conditions. It will be efficient only if it compels people who make bad choices to bear the costs of those choices. Policy makers can achieve both objectives by limiting the factors insurers can take into account in their underwriting to matters over which consumers have discretionary control. Thus, while insurers, as previously indicated, would not be permitted to take genetic factors into account in their underwriting, they

would be able to charge higher rates based on factors such as smoking, weight, hazardous occupation, and age. Higher premiums will discourage consumers from doing things that create high health care costs. Of course, no one wants to discourage people from becoming old. Age should be treated as a discretionary factor because its onset can be anticipated by the consumer and planned for. If insurers were not able to take it into account, many consumers would purchase very basic health care plans when young (or no plan at all), then purchase a comprehensive plan when age made them more illness prone. Limiting underwriting criteria to age and discretionary behaviors will ensure sufficient pooling of medical risk that the high costs associated with non-discretionary attributes can be adequately covered by pooled premiums. Insurers should be permitted to raise premium prices as they see fit, but only for all consumers in a given underwriting class. An analog of the Constitutional prohibition on bills of attainder must prohibit rate increases targeted at individuals, though different premiums could be charged if a consumer changes his or her underwriting class by engaging in a new discretionary behavior, e.g., by taking up smoking.

Special provision will have to be made for one class of discretionary health care behaviors. Many serious medical conditions, e.g., cystic fibrosis, require patients to comply with a complex medical regimen in order to obtain an optimal medical outcome. These regimens are often so onerous that many, indeed most patients fail to fully comply with them. Since the underlying non-discretionary condition creates huge treatment costs, insurers would have an incentive to drive patients away by imposing large premium surcharges on patients who did not follow the complex medical regimen that is, arguably but not clearly, discretionary. To prevent this abuse while preserving incentives for complying with the regimen, insurers should be permitted to lower but not increase premium costs for patients who closely follow a medical regimen prescribed to meet an existing medical condition. In some cases, very substantial discounts might be warranted both medically to encourage good behavior on the part of the insured and financially to minimize the prospects of major outlays on the part of the insurer.

CONCLUSION

Many countries pool medical risks by socializing medicine and providing all medical care through the state. This statist, bureaucratic solution to the problem of risk pooling always leads to diminished innovation, rationing through waiting lists, and a sharp reduction in the availability and quality medical services. Lacking market discipline, the system is inevitably captured, to one degree or another, by its workers and serves their interests instead of those of consumers. This article has laid out an alternative approach, a set of policy provisions that provide both for more pooling of risk and for greater efficiency in the production and consumption of health services--all within a private, competitive health care system that is likely to remain tightly focused on meeting consumer needs.

REFERENCES

- Adler, N.E., W.T. Boyce, M.A. Chesny, S. Cohen, S. Folkman, et. al. (1994). Socioeconomic status and health: The challenge of the gradient. *American Psychologist*, 1, 15-24.
- Adler, N.E., W.T. Boyce, M.A. Chesny, S. Folkman, & S. L. Syme (1993). Socio- economic inequalities in health. *Journal of the American Medical Association*, 24, 31-41.
- Amler, R.W. & Eddins, D.L. (1987). Cross-sectional analysis: precursors of premature death in the united states. *American Journal of Preventative Medicine*, 3, 3-6.
- Childs, B. & Valle, D. (2000), Genetics, Biology and Disease. *Annual Review of Genomics and Human Genetics*, 1, 1-19.
- Collins, F. S. (1996). Advances in genetics research and technologies: challenges for public policy. Presented before the Senate Committee on Labor and Human Resources, Washington, DC.
- Ebeling, R.M. (1994). National health insurance and the welfare state. In *The Dangers of Socialized Medicine*, eds. J.G. Hornberger and R.M. Ebeling, Future of Freedom Foundation.
- Finger, A.L. (1999). Caring for the uninsured: will the problem ever be solved? *Medical Economics*, 24, 132.
- Hadley, J. (1982). More Medical Care, Better Health? *An Economic Analysis of Mortality Rates*, Urban Institute.
- Hubbard, R.G. (2000). *Money the Financial System, and the Economy*, 3rd Edition, New York: Addison-Wesley.
- Hudson, K. L., K. H. Rothenburg, L. B. Andrews, M. J. E. Kahn, & F. S. Collins (1995). Genetic discrimination and mental health insurance: an urgent need for reform. *Science*, 270, 391–393.
- Kaplan, G. A., E. R. Pamuk, J. W. Lynch, R. D. Cohen & J. L. Balfour (1996). Inequality in income and mortality in the united states: analysis of morality and potential pathways. *British Medical Journal*, 312, 999–1003.
- National Center for Human Genome Research (1996). *Five Year Review of the Ethical, Legal, and Social Implications Research Program*, Washington, DC: NIH.

Reed, L.W. (1994) Free... but the patient doesn't get well. In *The Dangers of Socialized Medicine*, eds. J.G. Hornberger and R.M. Ebeling, Future of Freedom Foundation.

Santomero, A.M. & Babbel, D.F. (1997). Financial risk management by insurers: An analysis of the process. *Journal of Risk and Insurance*, 64, 231-270.

Searls, D.B. (2000). Bioinformatics tools for whole genomes. *Annual Review of Genomics and Human Genetics*, 1, 251-279.

Task force on Genetic Testing, (1996), Interim Principles, NIH-DOE Work Group on Ethical, Legal, and Social Implications of Human Genome Research.

Thomas, L. (1974). The future impact of science and technology on medicine. *Bioscience*, 24, 99-105.

ORGANIZATIONAL DOWNSIZING AND THE BUSINESS MANAGER IN A FINNISH CONTEXT: A DISCOURSE ANALYTIC FRAMEWORK AND ITS APPLICATION

Anna-Maija Lämsä, University of Jyväskylä

ABSTRACT

This study investigates the discursive construction of organizational downsizing and the identity of business managers in the articles of a leading business newspaper and magazine in Finland. The aim is to develop a discourse analytic framework and to apply it to an empirical study. Four discourses which construct downsizing and managers are derived from the articles. The analysis shows that downsizing is not called into question but rather accepted as a given practice. Managers' identities in the discourses vary, but generally they are represented as blameless in relation to decision-making of downsizing. The study suggests that the underlying assumption in the texts is that downsizing is the single efficient change strategy to improve the functioning of a company. This taken-for-granted assumption may be one reason for the continuous occurrence of the phenomenon. It is proposed that to be able to question the phenomenon, the storytelling tradition which helps people to experience phenomena personally could be valuable in developing alternative perspectives. Finally, an action research is suggested as a suitable method for studying the effects of the use of storytelling in practice.

INTRODUCTION

Since the eighties, there has been a determined drive towards downsizing in organizations in the Western countries, Finland included. Despite the fact that Finland, like the Nordic countries in general, shares a normative tradition which emphasizes the ideals of full employment, permanent employment contracts, and social responsibility, there seems to be no end in sight to downsizing (Julkunen & Nätti, 1999). It has been argued that this phenomenon not only causes structural unemployment in the economy and breakdown of the traditional societal value basis, but also that the downsized organizations frequently fail to achieve their intended aims (e.g. Amabile & Conti, 1999; Armstrong-Stassen, 1998; Cascio et al., 1997; Fischer & White, 2000; Lämsä, 1998; Rayburn, 1999; Slocum et al., 1999). Regardless of such evidence, it appears that downsizing, once was viewed as an indicator of organizational decline, has now gained a legitimacy which is not often called into question (McKinley et al., 1998; Lamertz & Baum, 1998). Clearly it is a strategy that is popular and enduring, although not always productive or valuable.

Since downsizing, nevertheless, is likely to continue, it is important to question why organizations downsize despite the many unintended and disadvantageous effects involved. For example, Cameron (1994, pp. 183 – 185) notes that downsizing may be the "most pervasive yet understudied" business phenomenon. He further adds that the phenomenon has been approached atheoretically and that the number of systematic studies on the issue is "paltry". In fact, few efforts have been made to systematically consider why this event continues to occur (Budros, 1999), and we thus have an inadequate understanding of this vital issue. My article represents an attempt to take the question of downsizing and its persistent occurrence seriously. The aim of the paper is twofold: to develop a discourse analytic framework for studying the phenomenon, and then to apply it to an empirical study in the Finnish business context.

The basic assumption of this paper draws on the idea that organizational practices such as downsizing are not only constructed and legitimated in organizations but are also influenced by society- level forces. One such powerful force in the present day are the mass media. They create a large portion of our values and beliefs, and thus influence our way of thinking and acting. It is widely recognized that the media are a central field for the production, reproduction, and transformation of meanings in contemporary society – a process called "the mediatization of culture" (Fairclough, 1995; Fornäs, 1995). The information conveyed by the media is not a neutral reflection of social reality but, rather, presents a somewhat incomplete picture of the world. Those working in the media are making choices on how to represent the goings-on in our environment. This representation can be seen, then, to have social, political and moral implications in society. In this regard, it is important to study the media representations of various issues in our social environment (Fairclough, 1995; 1998).

The focus in this paper, therefore, is on the media, and specifically on a leading professional business newspaper and a major business magazine in Finland. The power that these media exercise is, by nature, discursive. The readers – business managers, for example – are likely to base their evaluations about downsizing on what they read in the press. Downsizing and the managers involved in the process are not constructed solely by discourses that occur in organizations: they are also produced by much broader discourses that occur at a societal level and that act both as a resource and as a constraint for the way business people act and think. Consequently, it is valuable to understand how downsizing is discursively constructed in the professional business press, which can be regarded as an important source of information for managers who make business decisions. One reason for the continuous occurrence of downsizing may be, namely, that it is described in the press as a good and effective way of management. Further, it is possible that the identity of the managers involved in downsizing is portrayed in a way which promotes its occurrence. Such constructions may even come to be taken for granted and may direct the business managers' way of understanding the world – a way not often questioned (Berger & Luckmann, 1966). The present study aims at contributing to our understanding of this issue by seeking to answer the following questions: (1) what kind of representations of downsizing and managers are produced discursively in a professional business newspaper and magazine, and (2) how are such representations produced.

My primary concern in this paper is not only to describe and interpret the issue, but also to consider its ethical implications. Research indicates that downsizing involves ethical problems related to the equality of workers and other stakeholders (Orlando, 1999), as well as decision-making by managers (Lämsä & Takala, 2000). If we construct the phenomenon merely from the viewpoint of economy and effectiveness (McKinley et al., 2000), we easily become locked in one "truth" and may ignore or even grow intolerant of alternative ways of understanding (Phillips, 1991). In this regard, the media have a powerful influence on the manner in which business professionals understand the world. In their construction of social phenomena, texts in the media articulate what is right and what is wrong, what is good and what is bad. The media can either maintain the worldview of one "truth" or provide a many-sided and complex view of the phenomenon. This study attempts to make visible the kind of view they offer in the given context.

The remaining part of the paper is divided into six sections. The first section presents the scholarly definition of downsizing and a short overview of prior research on the subject, and describes why the topic is of interest in the Finnish business world. A discourse analytic framework is developed in the second section, followed by a presentation of the empirical data in the third. The fourth section contains the empirical results of the textual analysis, its core implications and a description of how the analysis was conducted. The built discourses together with their interpretation are set down in the fifth section, and the outcome and contribution of the study are then discussed in the final section.

THE CONCEPT OF ORGANIZATIONAL DOWNSIZING

In current scholarly literature, downsizing is defined as a purposeful change strategy, implemented by management, that aims at the elimination of jobs and positions to improve efficiency (Cameron, 1994; Freeman & Cameron, 1993; Lamertz & Baum, 1998; McKinley et al., 2000). It is thus understood as a strategy focused on reducing the number of employees. Downsizing is normally distinguished from the concept of decline, which, in turn, is unintentional on the part of the organization and the management (Freeman & Cameron, 1993). It is interesting to note that there are, in fact, a variety of concepts which are used as substitutes for downsizing – for example, leaning-up, slimming, re-engineering and restructuring. All of these have different connotations, but, since downsizing has become rooted in the current literature, it is the concept used here.

Downsizing in the Finnish context involves several value-based conflicts between the traditional socio-cultural and moral order and the efficiency expectations of business. The traditional Finnish societal value basis is characterized by security and well-being maintained by permanent contracts of employment (Julkunen & Nätti, 1999). Downsizing, thus, not only causes feelings of insecurity among people but can also be regarded as a break against the traditional socio-cultural values of security and well-being. Moreover, work has always been highly appreciated in Finland and an individual's value in society is defined through his or her work and competence (Katila, 2000; Kortteinen, 1992). Possible unemployment or even the risk of losing

one's job is not merely a financial question but also a moral failure in society. It follows that business managers are in a very ambiguous and morally challenging situation, which makes downsizing a study topic of particular interest in the Finnish context.

According to McKinley et al. (1998), most of prior research on downsizing has focused on its consequences to organizations. Practically-oriented articles, on the other hand, have concentrated on describing the most successful practices of managing the downsizing process. Less attention has been paid to the antecedents of downsizing, although there are some few exceptions (e.g. Budros, 1999). A major tendency in the downsizing research, thus, has been to examine the techno-economic consequences of this practice. Furthermore, either explicitly or implicitly, researchers have adopted an economic perspective to explain the phenomenon, and it is assumed that decision-makers understand downsizing as a rational, predictable tool for better financial performance (McKinley et al., 2000). This assumption has, however, been questioned lately (e.g. Amabile & Conti, 1999, Fischer & White, 2000), as researchers have been unable to show any consistent positive relationship between downsizing and financial performance. This suggests that the forces driving the phenomenon may be more complicated than an economic perspective would assume.

Moreover, several researchers have investigated the impact of downsizing on employees who lose their job and have studied the effects of layoffs on the work performance of the survivors (e.g. Armstrong-Stassen, 1998; Brockner et al., 1990; 1994; Mone, 1994). Both of these groups have received a great deal of attention in prior research. However, Kilpatrick et al. (1991) point out that it would also be worthwhile to study the "terminators", that is, the managers in charge of downsizing, in order to get a more comprehensive understanding of the phenomenon. Such perspective is rare, although some examples exist (Lämsä, 1998; 1999). An interesting feature of the prior research is that it usually fails to identify the managers. The manager is someone not individualized but rather seen as a representative of an anonymous collective group, that is, of management. Consequently, we need more knowledge not only about the survivors and the laid-off workers, but also about the identity of managers in relation to downsizing.

Some scholars have studied downsizing from an ethical perspective either empirically (e.g. Hopkins & Hopkins, 1999; Lämsä, 1999; Lämsä & Takala, 2000) or conceptually (e.g. Orlando, 1999; Van Buren, 2000). However, despite the fact that downsizing involves ethical problems and dilemmas, prior research has not paid much attention to that perspective. Furthermore, much of the research has been based on a functionalist paradigm, although there now appears to be a growing interest in exploring the phenomenon using an interpretative approach (e.g. Lamertz & Baum, 1998; Lämsä, 1999; McKinley et al., 2000; Palmer et al., 1997). If we accept that downsizing is not a simply-constructed abstract phenomenon that can be explained causally but, instead, that it is a complex web of meanings, we should then focus on the various ways it is produced in discursive practices.

A DISCOURSE ANALYTIC FRAMEWORK

One important trend in the last decades has been a "linguistic turn" in social theory, which has resulted in language being accorded a central role within social phenomena (Fairclough, 1998, p. 2). However, this has been neither consistent nor uniform, and has generated considerable debate among researchers. Positioned at the heart of the debate are the concepts of discourse and discourse analysis. To argue that one's approach is discourse analytic, therefore, does not say very much. My aim is to avoid this confusion by setting the concept of discourse analysis in the context of this study and by outlining its central theoretical principles.

I draw here upon four principles which lay some claim to the title of discourse analysis. The first body of work which can be linked to the discourse analytic framework is that associated with poststructuralism. The varied and somewhat ambiguous poststructuralist tradition is represented by writers such as Derrida, Foucault, Barthes and Lacan, among others. For the purposes of this study I rely on the poststructuralist notion of epistemology and subjectivity. (Gill, 1993). The core idea in epistemology is that social world does not exist "out there" but is the subjective construction of human beings who construct meanings through the use of language. Language, thus, is constructive, not a neutral, transparent medium reflecting reality. It creates particular versions of reality. Consequently, we can say that a discourse analysis is interested in the constructive effects of texts and is, of necessity, interpretative (Hardy & Phillips, 1999, p. 2). Moreover, the discourse analytic approach rejects the notion of a unified, coherent subject. This means that the various actors in a story – for instance, the managers or survivors of a downsizing process – are constructed in diverse ways, producing identities for them that differ in many respects. In the downsizing context, for example, the laid-off workers can be constructed, say, as victims, heroes, people rescued from a crisis or hit by a stroke of luck, and so on, depending on the particular situation and perspective.

The second principle is based on social constructivism (Berger & Luckmann, 1966). According to this tradition, the socio-cultural environment is seen as a resource by means of which people understand their own and others' behavior to achieve intersubjective meanings. Socio-cultural conventions and definitions are not unchanging but dynamic, although people easily experience them as law-like and tend to take them for granted, since they are easily collectivized and reified through social construction processes (Holstein & Gubrium, 1994; Phillips, 1991). How the downsizing process and the managers involved in it are defined, can thus be understood in a particular socio-cultural context. Consequently, the meanings may vary from one socio-cultural context to another. Language is an important socio-cultural resource, and I assume here a dialectic relationship between culture and language. This entails that every instance of language use makes its contribution to reproduce and/or transform society and the phenomena therein (Fairclough, 1998). Hence, the use of language has society-level consequences. For example, how the professional business press represents downsizing or business managers can either help to preserve or transform their meanings, which, in turn, may have different effects in society. In this regard, the business press is using power that can reach wide societal spheres.

The third principle is one that has been influenced by critical language studies (Fairclough, 1995; 1998; Fairclough & Wodak, 1997). Its central idea is that the sense of a term

derives not only from some inherent feature of the relationship between signified and signifier, but from a system of oppositions in which it is embedded. This idea poses an important challenge to the simple word object count of language, which is typical of traditional linguistic approaches (Gill, 1993). It highlights the ways in which particular linguistic forms, such as deletion of a grammatical agent or use of the passive voice, can have crucial effects on how phenomena such as downsizing and managers are understood. For instance, the sentence "The managing director decided to lay off 100 people" differs from "The decision was made to lay off 100 people". The difference in meanings here can be attributed, for example, to how we interpret managerial responsibility. The meaning of the text is not in the words themselves but lies in their particular structural arrangement and form. Further, the choice of words and terminology influences the meaning. There is a difference whether we use the term "terminator" or "rescuer" when speaking about the manager responsible for downsizing. Those writing in the business press make important choices on how to report about various phenomena, since they have the power to select the words and ways of expression used. This is also one reason why the press has a lot of discursive power.

The fourth principle is based on the traditions of ethnomethodology and speech act theory (Heritage, 1996; Potter & Wetherell, 1998, pp. 17 – 23). They emphasize the functional and action orientation of discourse. Moreover, they are primarily interested in the spoken rather than in the written word in social interaction, whereas our focus here is on written texts in the business press. According to this fourth principle, language and its discursive practices are social phenomena. People use particular linguistic methods to perform social actions, for example to make excuses, to give a trustworthy picture of themselves, to highlight some events so that they become visible or to prevent the occurrence of others. We may say, following the ideas of Austin's speech act theory (see Potter & Wetherell, 1998, p. 18), that people use language like a tool, to get things done. This feature of language use is often called reflexivity, particularly in the ethnomethodological tradition. The representations of the manager involved in a downsizing process, as well as the process itself, have functions which may be either purposeful or unpurposeful from the viewpoint of the writer or the speaker. Furthermore, it is important to note that in order to be able to interpret said functions, a researcher needs to be familiar with the features of the context and the social environment. In this study, such understanding comes from my own socio-cultural background as a Finn and my familiarity with the subject from earlier studies of the topic (Lämsä, 1998; 1999; Lämsä & Savolainen, 2000; Lämsä & Takala, 2000).

To summarize, the discourse analytic framework adopted here draws on a variety of ideas and traditions. The four principles described above - which are referred to here as the constructive, contextual, structural-terminological and functional principles - form the foundation of the framework. The basic idea in this framework is that it is concerned with discourse in its own right. It treats texts as constructive (constructive principle): objects such as downsizing and the identities of the manager are constructed in discourses. A discourse, then, is a relatively coherent system of meanings which constitute objects into being (Parker, 1992). It is a representational and constructive practice that is to be found in pieces of texts. Further, the framework sees the meanings of texts as inseparable from the socio-cultural environment

(contextual principle). Meanings should be interpreted in their given socio- cultural setting. Moreover, texts are constructed from words, but the meanings are not in the words as such but in particular choices regarding their structural arrangement and terminology (structural- terminological principle). Finally, the framework treats texts as functional, oriented to actions which may have purposeful or unpurposeful social, political and moral implications (functional principle).

EMPIRICAL DATA

The data were collected from 27 articles published during January – December 2000 in a major Finnish business newspaper entitled "Kauppalehti" and business magazine entitled "Kauppalehti- Optio". Both of these can be said to be widely known and read in Finland, although targeted mainly to business professionals. The former is published five times a week, on workdays, and the latter once a week. The main criteria in the selection of the articles was that they dealt with a case of downsizing that had taken place in Finland, either in a Finnish company or a foreign subsidiary. There were quite a number of articles which reported about the phenomenon in other countries, for example Estonia, Germany and the United States, but these were excluded since they were outside the scope of this study. The data consist of nineteen news articles and eight features. Altogether twenty-three different companies were mentioned in the articles. Twenty-five articles wrote about particular companies and the remaining two were general overviews of the topic.

The collected material was organized and processed with a computer. The database included the following information: publishing date, name of the writer or, if no author was mentioned, the official source of the article, and the original text. For the purpose of the analysis (Jauhiainen, 2000, p. 53), each article was assigned a number from one to twenty-seven (1 – 27) for identification. In order to make it easier to concentrate on the text, the articles were reproduced so that the text was divided according to sentences marked by a full stop. Each sentence was then assigned a line number according to the numbering in the original text, so that the sentences running in the text could be easily traced back to the original text with this code. For example, code (26.24) refers to sentence 24 in article 26. The identification code is marked in parentheses later on in this paper when examples of the original texts are presented. The coding system is important since we must be able to revert to the whole text during the interpretation process.

THE EMPIRICAL RESULTS OF THE TEXTUAL ANALYSIS

There is no one "correct" way to conduct a discourse analysis, and the most demanding task is the systematization and contextualization of the information. In the present context, the research process was carried out through intensive reading and reflection of the data. At the very beginning it was not merely a question of reading and reflection but of analyzing the articles from the viewpoint of the structural-terminological principle. This kind of textual analysis helps us

to get an overview of the texts. Further, it makes it easier to understand in what linguistic ways downsizing and the manager involved in it are constructed. This knowledge is also valuable from the viewpoint of the trustworthiness of the study, and it helps us to see how discourses emerge from the articles (Fairclough, 1998, pp. 74 – 78). The main results of the analysis are presented below. In the first phase, the focus was on the representation of the manager responsible for implementing the downsizing, followed by an analysis of the representation of the downsizing process itself.

Firstly, the analysis concentrated on the actors in the texts, examining the different kinds of actors presented. It was relevant to name and describe them in order to see how the articles categorized the people involved (Potter & Wetherell, 1998, pp. 116 – 137). Further, those sentences that referred to managers were analyzed more thoroughly, particularly with regard to whether the managers were represented as having a unique identity, an identity as a member of a managerial group, or whether the articles simply used a generic reference to the company (cf. Jauhiainen, 2000, pp. 36, 57).

It was found that the articles contained six main categories of actors: managers or corresponding reference to management (18% of all sentences where an actor was mentioned, N=202), companies (26%), employees who were or would be laid off (34%), employees who continued working (8%), labor unions and shop stewards (5%), and others minor groups, such as a consultant who assisted a company in outplacement and a former Finnish citizen, now living abroad, who marveled at the huge number of early retirement packages enabled by the Finnish social security system in a downsizing situation (9%).

As regards the representation of managers, they were identified 27 times either by name, by both name and title, or by use of a personal pronoun (he/she or we). However, the personal pronoun "we" was applied only once (article number 8). This was in a story with a happy ending, that is, the article described how the owner couple of a company succeeded in saving their business. Further, there were 54 statements in which it was not possible to identify the manager. In these cases the articles used the expression "management" (three times), mentioned the name of the company (47 times), or applied some other type of expression (four times), such as "savings can be achieved, for instance, by reducing the number of employees by 800" (code 9.23). In general, the representations of managers were matter- of-fact by nature. Not many adjectives or very dramatic expressions were used. The majority of the representations that referred to a manager, managerial group, and company or corresponding were unindividualized (67%, N=81).

Next, attention was shifted to the verbs used in connection with the identified actor, the manager. The aim was to find out what this actor does in the sentences. Such knowledge is valuable when we try to understand the functional principle of the text, for example, whether the responsibility of managers is made explicit or left vague (Fairclough, 1998, pp. 180 – 182). Special attention was paid to the use of the verb "to decide". All verbs in relation to a manager were found to be in the indicative mood (20 times) – there were no verbs using the imperative, conditional or potential mood (Hakulinen, 1968, pp. 201 – 203). The verb "to decide" or a similar expression with the meaning of deciding was not used at all in relation to an identified manager.

The majority of the verbs used in connection with the manager were expressions like "saying", "telling", "describing" and so on (17 times). The verb "to admit" was used three times. In these cases the admission was eased by the rest of the sentence, as illustrated by the following example: "He admits, however, that Veho (name of the company) has also had to resort to reductions in the workforce to improve its economic position" (code 19.11). This is an unindividualized company, not an identified manager, that does the downsizing in the sentence.

This phase of the analysis revealed that the texts represented business employers – whether identified managers or unidentified companies – as the major actors. Thus, it was their perspective and their doings that were to be read about. What is also interesting is that the laid-off people were mainly represented as members of the laid-off people's group and, hence, were constructed as collectivized. There was a single exception: one of the articles (number 26) presented a number of "fortunate" laid-off individuals who had been able to utilize the Finnish social security system to get an early retirement in a downsizing situation.

The second phase of the analysis then examined how the phenomenon of downsizing itself was represented in the articles. The main idea was to study the propositionality of the phenomenon (Fairclough, 1998, pp. 158 – 162), and thus the analysis focused on how conditionally or unconditionally downsizing was represented in the texts. Moreover, another question of interest was whether there was any intentional will on the part of the company involved and in what ways the downsizing was legitimated in the texts. All sentences (N=67) that were interpreted as referring to the propositionality and legitimacy of the phenomenon were studied.

It was found that downsizing was represented in the majority of the sentences (79%) as a self-evident fact. The following statement illustrates this: "According to the managing director, Raimo Tanttu, the primary reason for this decision is that the market for the company's main product, rubber boots, has been slow for a long time now as a result of the weather conditions" (code 24.2). This example illustrates the most important linguistic ways in which the idea of self-evidence is communicated in the texts. There is no conditional expression, for example, no adverb such as "likely", "probably" and so on. Furthermore, there is no subordinate clause that might possibly mitigate the unconditionality of the statement. The present tense also stresses the self-evidence of the reason for the decision as well as the legitimation of the phenomenon by means of a two-phase causal reasoning (slow sales and "unfavorable" weather).

Some intentional will was expressed in 14 sentences (29%, N=67). These were divided into two main groups. The first group consisted of sentences (7 of 14) that indicated the company's own action in relation to downsizing. In other words, the sentences implied some kind intentional doing by the company directed at downsizing. The following example highlights this aspect: "Elisa (name of the company) wants to concentrate on its core business" (code 17.7). In addition to an action, which in this example is "wanting" to do something, there is an actor, the company, and a goal, downsizing expressed as concentration on the company's core business. In some sentences the actor was somewhat vague because the verb was in passive form and, thus, the question of who was doing the acting was unclear.

The second group of sentences implying some degree of intentional will (7 of 14) referred to an intentional action by a foreign head office. In these cases the Finnish subsidiary was a passive object of downsizing, as illustrated by the following example: "It (the Finnish factory) received an announcement from its head office, R. J. Reynolds International, that the company had overcapacity in tobacco production in the EU area, and to eliminate the problem it has decided to downsize the factory" (code 5.2). Consequently, the actual intention was described as being somewhere far away from Finland. What is also interesting is that a foreign head office was generally constructed as a potential threat to the Finnish subsidiary's survival.

Downsizing was legitimated in four different ways in the texts, and there was only one case where no reasoning was used. In the majority of the sentences (58%, N=67), downsizing was legitimated by reasons of effectiveness and economy, which were described as inevitably necessary. 28% of the sentences used the decision by a foreign head office as a given to legitimate the phenomenon. Further, in three cases the text appealed to legal reasoning, and organizational change was mentioned as the reason in six sentences.

We have now gained an overview of the texts, particularly from the structural- terminological perspective. Approaching the texts in isolation like this from a broader context, however, involves the risk that some of the meanings may be lost. Therefore, to get a more comprehensive view of the phenomenon, the textual analysis needs to be complemented with a discourse analysis aiming at interpreting the texts to see how downsizing and a manager are constructed into being (Fairclough, 1995; 1998). The discussion now turns to the discourses.

THE DISCOURSES OF DOWNSIZING AND THE MANAGER'S IDENTITY

A Discourse of Self-evidence

As indicated by the textual analysis, the definition of downsizing is constructed as a self-evidence in the majority of the studied articles. Its legitimacy as a practice is not questioned in this discourse and, thus, there is no uncertainty or disbelief that would interfere with it. What is also essential is that we cannot find any alternative strategies such as a reorganization of work or long-term systematic change which are often presented in the literature (Cameron, 1994) to replace downsizing. The following examples illustrate this discourse of self-evidence:

◆	<i>"Downsizing at Leaf's Turku factory is due to the fact that CSM's Danish plant will be taking care of business in the Danish market in the future" (code 13.16).</i>
◆	<i>"Sharpening competition pushed Veho to reductions in the workforce" (code 16.1).</i>
◆	<i>"According to Mr Aminoff, the main reason for downsizing is sharpening competition and the need to cut down costs" (code 16.4).</i>

Downsizing is legitimated in this discourse by seeing it as the inevitable result of other previous events such as a rise in raw material prices or unfavourable changes in exchange rates. It

is also described as a pre-emptive measure, necessary due to future events, for example, sharpening competition or globalization. The prevailing descriptions of downsizing in the texts, thus, present the phenomenon either as reactive to events that took place in the past, or proactive to events that must be taken into account in the future to be competitive. Reasons of economy and effectiveness are used as the justifications. Interestingly, there are no descriptions in which reference is made, for instance, to some action by the company itself which could be interpreted as unsuccessful or wrong. Neither do the texts present any doubts, economic or moral, as to the rightness of the downsizing practice.

From the perspective of the functional principle, we can say that the function of this discourse is to convince the reader of the self-evident nature of the phenomenon by applying traditional business language. The text constructs the notion of self-evidence through various textual strategies, for example, by presenting the justifications of economy and efficiency as given, by using the present tense and indicative mood in the verbs, by avoiding conditional terms which might call the rightness of the phenomenon into question. Such strategies make the phenomenon into an objective fact, which easily becomes so natural that it cannot be disputed. Further, the discourse does not say a word about the alternatives to the phenomenon or to the moral problems involved. It embraces a single option and invites the reader to commit him- or herself to the self-evident necessity of efficiency and economy.

With regard to the identity of the managers, the discourse of self-evidence stresses their role as a middleman. Typically, the identified manager does nothing else than "comments", "tells", "announces" or "describes" that a company is downsizing. In some cases the statement is expressed in passive form and, hence, even the identified actor is unclear. An actor who makes the decisions or acts directly in relation to downsizing occurs only in generic references to companies; for example: "Nokian Jalkineet (name of the company) is reducing its workforce by 12 people" (code 24.1). Consequently, the texts function so that they present the manager indirectly with respect to the responsibility for downsizing. The discourse of self-evidence, thus, places the responsibility for decision-making and direct action on to a faceless collective. So, the identity as a middleman relieves the identified manager discursively from the obligation to assume responsibility for the phenomenon.

A Discourse of Concealed Salvation

This discourse is to be found only in one article (number 8). It describes a case in which the new owner family, the Söderströms, saved a printing house business from being shut down. The article relates how the family bought the business from a big corporation that was no longer interested in continuing it. The deal is described as having been a big risk for the new owners, but after many difficulties and a lot of hard work they managed to make the company efficient and profitable. The story also gives financial figures to convince the reader of the success of the salvation. The following examples illustrate the discourse:

◆ *"The Söderströms made the business grow from scratch "(code 8.01).*

◆	<i>"The Söderströms effectively modernized the printing house TT" (code 8.08).</i>
◆	<i>"In 1994 there were 80 employees in the concern of Urex and TT" (names of the companies) (code 8.12).</i>
◆	<i>"After that, the number of personnel has decreased by half, although the volume of business has remained the same" (code 8.13).</i>

In the story, the original situation is ownership of a printing house by a big corporation whose identity is constructed as that of a faceless owner. This ownership is a threat to the continuance of the printing house, since the corporation is presented as no longer interested in continuing the business. According to the text, the printing house had become "a burden" (code 8.6) for the corporation. Then, an action takes place. The family Söderström buys the business and rescues it by modernizing, as expressed in the text. Finally, the story has a happy ending: the business continues and brings in profits, which is the complete reverse of the original situation.

The discourse narrates the story of the salvation at length to make its message plausible and believable. In other words, the text relies on the plot (Czarniawska-Joerges, 1995, p. 15) of the old storytelling tradition that is familiar from many fairytales like Snow White and the Seven Dwarfs or Sleeping Beauty. The hero, in this case the identified owner couple, frees the protagonist, the printing house, by prompt action from imminent danger, the plans of a faceless corporation. Hence, the plot utilizes causality and derives further strength from its moral loading. The identified owners are the "good guys" and the faceless corporation that originally planned the downsizing is the "villain" of the story.

The story constructs the identity of heroic rescuers for the owner managers. It uses linguistic tools such as the personalization of the owners and reference to them by name and by pronoun in the first person plural. Further, to convince the reader of the heroic features of this identity, the text stresses the risks involved and describes the many hardships, mainly technical problems in production as well as financial problems, that needed to be overcome in the course of the salvation process.

What is especially interesting here is that downsizing is not presented directly in relation to the identified owner managers. This can be seen in the above-mentioned example (codes 8.12 and 8.13), which first notes the number of people working in the company at the beginning of the story, but then, all of sudden, indicates that their number had decreased by a half. We are not told what happened to the other 50%. Thus, the story does not say, for instance, that the family Söderström dismissed 40 employees to make the printing house profitable, or that the Söderströms rescued the company from an imminent danger, unprofitable business, by prompt downsizing action. Paradoxically, downsizing is not mentioned in relation to the owner family, although the text clearly indicates that the owners had indeed conducted such action one way or another. Thus, the text avoids referring to the downsizing in relation to the owner managers, constructing the phenomenon as a concealed salvation by them. In other words, the company is described as being saved, but the action of downsizing, that is, how the salvation was achieved, is hidden.

Now, we can say that the salvation story with its heroic rescuers and the concealed action of downsizing in particular are needed to bridge the gap between the morally questionable action, downsizing, and the actor, the identified owner couple. Without this kind of story, the text would hold the heroic rescuers responsible for laying people off and guilty of a morally questionable action in this sense. They could therefore be blamed, which is now very difficult. Consequently, from the functional perspective, by means of the heroic story this discourse maintains the view of managers as unblamable. Only the faceless corporation is an anti-hero and, thus, potentially open to moral condemnation. The story also makes it possible for the reader to experience the complex and risky world of the heroic rescuers. The text not only invites the reader to accept its message about downsizing but also invites him or her to identify with it personally.

A Discourse of Damage Control

There is also a discourse of damage control to be found in the text of one of the articles (number 5). The article's title says that if a company has to dismiss people, it is worthwhile to do it neatly. The text goes on to relate how a foreign company decided to shut down its Finnish subsidiary due to overcapacity. The company invited an outplacement consultant, Ms. Ritva Kajala, to assist in the process, and she, the consultant, did the job admirably. A part of the dismissed workers were able to find a new job, while others either decided to remain at home, wanted to retire, or took a sabbatical. As a whole, what the laid-off people did is described in the article in a very favorable light. A few examples will highlight the discourse:

◆	<i>"In practice the job was entrusted to Ms. Kajala, who had fresh in her mind her previous job of eight years as personnel manager at Tunturi, the bicycle factory that had been through some really hard times" (code 5.04).</i>
◆	<i>"Now the Reynolds project is happily over from Kajala's point of view – with an emphasis on the word happily" (code 5.22)</i>
◆	<i>"All of Kajala's protégés are back in working life" (code 5.23).</i>
◆	<i>"Kajala emphasizes that the company is not only buying a clear conscience with outplacement" (code 5.27).</i>
◆	<i>"It is also a question of building a good external and internal corporate image" (code 5.28).</i>

Downsizing is constructed in this discourse as a source of damage that needs to be controlled. The damage is described, for example, by referring to the downsizing decision by the foreign head office – a faceless collective – as "scathing" (code 5.8) from the viewpoint of the Finnish subsidiary, as a result of which "all jobs at the Turku factory would disappear" (code 5.01). The textual expressions are somewhat more dramatic in this case than in the reviewed articles in general. The text notes that some damage may be done and thereby admits that

downsizing is not only problematic for the company's image, but that it also involves a moral problem in relation to the dismissed people.

The discourse draws its strength from causal and moral responsibility (Toffler, 1986, p. 35). In other words, it is grounded on the idea of morality: if someone causes damage, that someone has the moral responsibility to correct or attempt to correct the situation. Further, to make the message plausible the text relies on a causal plot (Czarniawska-Joerges, 1995) in which the original state, downsizing due to economic necessity, is the source of the damage. Action, in this case assistance and caring, is needed to correct the situation. An outplacement consultant is invited to carry out the necessary action, and her success in doing this is strongly emphasized in the text. Finally, there is a happy end, no-one is left unsatisfied or damaged – the situation is now completely reversed as compared to the original. This time there are no heroic rescuers as in the discourse of concealed salvation, since the damaging aspects of the act of downsizing are admitted here. However, in order to create a happy ending to the story, someone is needed to help to deal with the situation, and the outplacement consultant duly fulfils this function.

Thus, the main actor in this discourse is the outplacement consultant. She is represented as an important, capable and caring helper. Such an impression is created by giving her a direct voice several times in the text. Moreover, the consultant is strongly personalized, for example, through the frequent use of her name and a description of her earlier career. She is presented as being fully capable of performing the outplacement task. Further, the text goes on to report how she helped the dismissed workers to overcome their painful experiences and to find new jobs. What is especially interesting here is that the relationship between the compassionate helper and the dismissed workers is presented in such a way that the helper is the active subject, the actor, and the workers are the passive and collectivized objects of her helping action. So, in this discourse it is the consultant who is constructed as having the power to define what is the sensible and right thing to do in the situation.

Not one representative of the downsizing company, however, is mentioned in the text. The consultant is given a voice, whereas the managers' identity is that of hidden actors. The name of the company, on the other hand, is given, and the company itself is constructed as the initiator of the outplacement process. Although the discourse acknowledges that the company's downsizing action caused damage to the workers, the main emphasis is not on the company's actions but on the role of the consultant instead. By doing this, the discourse distances the company and the managers from the situation. The idea is that the company has done what it can to control the damage by hiring the consultant.

Now we can say that the emphasis on the consultant is a means of obscuring the paradoxical relationship between the damage from downsizing and the company which, in itself, is the original source of the damage. Without the role of the caring and compassionate helper, the text would have to assign the responsibility for the practical caring task to the company and its representatives, or else it would show a lack of compassion. If the discourse were to admit that the company lacked expert knowledge on outplacement or was unwilling to conduct the task, there would be the danger that the company and management would be blamed for not having repaired the damage they had caused. The caring helper was needed to avoid such an

interpretation. In this way the discourse of damage control encourages the reader to acknowledge the good moral intent of the company. The discourse enables the company to show responsibility for the consequences of its action. However, it would be interesting to see what kind of story would be needed if some damage were reported to have been done in spite of the consultant's help. Who would be responsible for this damage? Maybe in such a case, the happy ending would require changing the construction of the identity of the laid-off workers from passive objects to active subjects capable of helping themselves. Otherwise it would be difficult to convince the reader of the current message of the discourse, and the plot of the story would begin to resemble that of a tragedy.

A Discourse of Exploitation

The type of discourse found in two of the articles (numbers 26 and 5) is referred to here as a discourse of exploitation. Article 26 contains an entire story, whereas article number 5 only mentions the course of events very briefly. In this discourse, downsizing is constructed as a good opportunity to exploit the Finnish social security system. In other words, downsizing is represented so that it offers the older employees the chance to get an early retirement due to unemployment.

A few words about the regulations of the Finnish social security system are relevant here to clarify the issue and make it easier to understand the discourse. A person who becomes unemployed is entitled to an unemployment benefit for a period of 500 days. However, if the person is of a specific age, around 55 years, he or she is able to move after the benefit period straight on to receive the government-financed unemployment pension. So, for example, laid-off workers are basically enabled to retire already in their mid-fifties. The system is referred to as "the retirement pipeline" in everyday use and, as result of the practice, the number of early retirements grew sharply in the nineties. The following examples illustrate the exploitation discourse:

◆	<i>"Eight persons out of 34 said they would seize the opportunity and proceed through the retirement pipeline to spend the evening of their working life" (code 5.09).</i>
◆	<i>"Elderly employees are compelled, but many feel they are permitted, to live on an earnings-related unemployment benefit until their reach the normal age of retirement" (code 26.11).</i>
◆	<i>"They were also satisfied with their lives once they had entered the 'pipeline'" (code 26.22).</i>

Here, downsizing offers an opportunity to exploit the social security system. But, if such an opportunity exists, there is also someone who is the exploiter – in this discourse, the people who retired. The text represents them as exploiters by describing how they were able to enter the retirement pipeline. Moreover, since such behavior is disapproved of, the text represents it as an unacceptable way to act. Consequently, the discourse uses moralization to make its message plausible. For example, the text remarks that "it is unthinkable that people in their prime are

already happily 'in the pipeline' or are wishing to 'enter the pipeline' (code 26.23). The text further builds the overall picture of these people by representing them as somewhat egoistic old fools. This is done, for example, by referring to their somewhat outmoded appearance and also by describing their carefree attitude to life.

The discourse derives its strength from moralization, and so, there must be a moral groundwork on which its argumentation is based. We can say that since the discourse disapproves of the exploitation of the social security system through "the retirement pipeline", it contains the assumption that it is morally right to try to continue in working life as long as possible. Thus, it values work and the people who work as well as social responsibility in the use of common resources. These are essential elements in the traditional Finnish value basis (Julkunen & Nätti, 1999; Katila, 2000; Kortteinen, 1992), which here acts as a socio-cultural resource by means of which the discourse constructs its message.

In view of the above it is easy to understand that those who violate against the value basis are constructed as foolish and egoistic. But what is especially relevant is that the downsizing companies are not included in the discourse, although they could similarly be regarded as exploiters of the social security system. It is possible to think, namely, that they are able to utilize the system to lay off elderly employees "neatly" without danger of any law suits. However, they have no voice in the discourse. Furthermore, no managers are mentioned. They have a silent identity; their actions are not discussed. Consequently, the exploitation discourse invites the reader to accept the preservation of the traditional value basis of society, but at the same time makes it possible to avoid bringing up the conflict between that value basis and the goals of downsizing. This is done by placing the main emphasis in the discourse on the retired people and by passing in silence the role of the companies and their managers.

SUMMARY AND DISCUSSION

In this study I have examined view created by the articles of a leading business newspaper and magazine about the subject of downsizing in the Finnish context and within a given time frame. In particular, I have sought an answer to the questions: What representations do the articles produce of downsizing and the managers involved in downsizing, and in what way are these representations produced? My first step was to develop a discourse analytic framework to investigate the topic and then to apply it to an empirical study.

The starting point of this paper was the idea that downsizing is not always valuable and that we should question its continuous occurrence (Budros, 1999; Orlando, 1999). It is an ambiguous and morally questionable phenomenon particularly in the context of Finnish society, since there is a direct conflict between, on one hand, the traditional Finnish socio-cultural value basis that stresses full employment and the ideals of permanent employment contracts and social responsibility, and, on the other hand, the goals of downsizing (Julkunen & Nätti, 1999). This is a noteworthy aspect and helps us to see why the outcome of this research makes sense in the Finnish socio-cultural setting at the particular time when the study was conducted. Thus, we need to be careful in attempting to apply the results to another type of socio-cultural setting. My findings cannot be transferred directly to another context without critical reflection, since

meanings are likely to vary culturally and socially. The same is true of the research results on this topic found in other contexts.

	Discourse of self-evidence	Discourse of concealed salvation	Discourse of damage control	Discourse of exploitation
What is the representation of downsizing?	A self-evident economic fact	A salvation but concealed from the public	A source of damage	An opportunity to exploit the social security system
What is the representation of the manager?	A middleman	A heroic rescuer	A hidden actor	A silent party
How are the representations produced discursively?	By means of the business language of economics and efficiency	By means of a heroic story	By means of a story of morality and causal responsibility	By means of moralization and silencing
What is the main function of the discourse?	To invite commitment to downsizing as a natural and unquestionable practice	To invite acceptance of downsizing and personal identification with the experiences of the manager	To invite acceptance of the good moral intent of the company	To invite moralization of exploitation and at the same time to obscure the role of the company
Who is the main actor in the discourse?	A faceless company	Owner managers	An outplacement consultant	People who have retired early due to downsizing

The textual analysis of the empirical data revealed various linguistic strategies that were used to construct downsizing and business managers in the articles. The analysis made it possible to get an overview of the texts and helped to build their discourses during the interpretation process. The main findings of the study are summarized in the Table 1, which presents the four discourses together with the answers to the research questions. Additionally, Table 1 gives the main actors and functions applied in each discourse to clarify its message.

The results show that the discourses do not question the practice of downsizing. Instead, it is accepted as a given practice using various discursive techniques. The discourse of self-evidence applies traditional business language to convince the reader of the necessity of the phenomenon, while the other three discourses can be considered more imaginative in this regard. Instead of appealing to logical economic facts, that is, "factualizing" the phenomenon, they invite the reader to experience the world of downsizing and its actors emotionally and morally, or so to speak, they "fictionalize" the phenomenon.

Thus, none of the discourses raise any doubts about downsizing and its occurrence as such. This finding suggests that the articles prefer to treat downsizing as the single efficient strategy alternative for improving the operation of a company, and do not consider other optional strategies such as, for example, long-term systematic change. It is then proposed here that the underlying and taken-for-granted assumption in the texts is that downsizing is the efficient

change strategy to enhance the functioning of a company. The study implies that the way language is used in the articles helps to reproduce the phenomenon as a given, self-evident truth, since the analysis shows that it is difficult to discern and contemplate the underlying assumption in the texts. Such use of language is self-enforcing, and easily legitimates the downsizing phenomenon without raising any questions. This may be one of the reasons for its continuous occurrence in the business context. Thus, from a practical business perspective, it seems plausible to suggest that the phenomenon is indeed likely to continue (McKinley et al., 1998). However, it is important to note that the link between the discursive practices by which the phenomenon is reproduced and the actions of companies in everyday business is by no means direct, and since this link remains unclear it would merit further clarification in future studies.

To conclude, if we are to question the practice of downsizing and its continuous occurrence, we should focus our attention on the assumptions underlying the layoffs and the way this phenomenon is represented not only in the business press but also in the other media and by public authorities, consultants, managers, labor unions, etc. This kind of research is important, particularly as the studies that concentrate on the causes and consequences of downsizing easily take the phenomenon itself as given. Thus, the contribution of the present study is that it shows the promise of a discourse analysis not only for revealing underlying assumptions but also for exposing the linguistic mechanisms by which these assumptions are produced and maintained. One of the advantages of the discourse analytic approach is, namely, that it places the phenomenon potentially open to reflection and change.

Moreover, the study shows that the identity of managers in the context of downsizing varies, and that the relationship between identified managers and downsizing is obscured by the use of diverse linguistic methods in the texts. The managers' identities are constructed so as to make them appear blameless in relation to decision-making concerning downsizing. Consequently, it is suggested here that there is an underlying tendency in the texts to transfer the responsibility for the decision-making to a faceless actor, such as a company or an anonymous collective management group. The question of who are responsible for the decisions, thus, cannot be answered, nor is this easily even questioned. In other words, if we want to inquire about the occurrence of downsizing it may be difficult to do so since, as this study implies, it is unclear to whom such questions could or should be addressed.

The business press, which can be regarded as the organ of business professionals, not only seems to produce the representation of downsizing as given, but also to distance the managers from decision-making concerning downsizing. Such a view simplifies both the ambiguous phenomenon as well as the complexity of a manager's task. This implies that the reduction of complexity, particularly in connection with a morally questionable phenomenon and the manager's own role in it, is a discursive means for making the action look normal, sensible and morally acceptable (Lamertz & Baum, 1998). This kind of simplification can then be self-enforcing and encourage the acceptance of the phenomenon without hesitation. Further research, however, is needed to give a better understanding of the issue. It would be particularly important to investigate whether this kind of discourse is common in business textbooks, which have a great influence on the learning processes of business students.

Finally, with respect to ethical concerns, the findings of this study imply that the business press favors one "truth", that of the downsizing practice, and avoids mentioning the moral challenges and dilemmas involved. The texts do not challenge downsizing in itself nor do they present any alternatives or conflicting perspectives. Nevertheless, from the viewpoint of ethics, it would be important not only to discuss the moral problems involved in downsizing but also to consider ways of presenting alternative and also conflicting information. The present study suggests that the tradition of storytelling, the narratives, might offer an opportunity for this. Their strength does not lie in logical and objective facts but, rather, in the fictional practice that applies real-life events in the plot to report alternative versions of downsizing and other development measures taken by companies. So, it could help people to experience the phenomenon at the personal level and learn to know and understand its different perspectives (Czarniawska-Joerges, 1995). Consequently, the use of the narratives would call for further research since it could be valuable in developing alternative perspectives. An action research might offer a suitable method for such studies.

REFERENCES

- Amabile, T. M. & Conti, R. (1999). Changes in the work environment for creativity during downsizing. *Academy of Management Journal*, 42(6), 630 – 640.
- Amstrong-Stassen, M. (1998). Downsizing the federal government: A longitudinal study of managers' reactions. *Revue Canadienne des Sciences de l'Administration*, 15(4), 310 – 321.
- Berger, P. & Luckmann, T. (1966). *Social Construction of Knowledge: A Treatise on the Sociology of Knowledge*. New York: Doubleday.
- Brockner, J., Konovsky, M., Cooper-Schneider, R., Folger, R., Martin, C. & Bies, R. J. (1994). Interactive effects of procedural justice and outcome negativity on victims and survivors of job loss. *Academy of Management Journal* 37(2), 397 - 409.
- Brockner, J., DeWitt, R., Grover, S. & Reed, T. (1990). When it is especially important to explain why: factors affecting the relationship between managers' explanations of a layoff and survivors' reactions to the layoff. *Journal of Experimental Social Psychology* 26, 389 - 407.
- Budros, A. (1999). A conceptual framework for analyzing why organizations downsize. *Organization Science*, 10(1), 69 – 83.

- Cameron, K. (1994). Strategies for successful organizational downsizing. *Human Resource Management*, 33(2), 189 – 211.
- Cascio, W. F., Young, C. E. & Morris, J. R. (1997). Financial consequences of employment-change decisions in major U.S. corporations. *Academy of Management Journal* 40(5), 1175 – 1189.
- Czarniawska-Joerges, B. (1995). Narrative or science? Collapsing the division in organization studies. *Organization*, 2(1), 11 – 33.
- Fairclough, N. (1998). *Discourse and Social Change*. Cambridge: Polity Press.
- Fairclough, N. (1995). *Media discourse*. London: Edward Arnold.
- Fairclough, N. & Wodak, R. (1997), Critical discourse analysis. Discourse as social interaction, *Discourse Studies: A Multidisciplinary Introduction*, Volume 2. Teunen A. van Dijk (ed.). London: Sage.
- Fisher, S. R. & White, M. A. (2000). Downsizing in a learning organization: Are there hidden costs? *Academy of Management Review*, 25(1), 244 – 251.
- Fornäs, J. (1995). *Cultural Theory and Late Modernity*. Thousand Oaks: Sage.
- Freeman, S. J. & Cameron, K. S. (1993). Organizational Downsizing: A convergence and reorientation framework. *Organization Science*, 4(1), 10 – 29.
- Gill, R. (1993). Ideology, gender and popular radio: A discourse analytic approach. *Innovation: The European Journal of Social Sciences*, 6(3), 323 – 340.
- Hakulinen, L. (1968). *Suomen kielen rakenne ja kehitys*. Keuruu: Otava.
- Hardy, C. & N. Phillips (1999). No Joking matter: Discursive struggle in the canadian refugee system. *Organization Studies*, 20(1), 1 – 24.
- Heritage, J. (1996). *Harold Garfinkel ja etnometodologia*. Jyväskylä: Gummerus.
- Holstein, J. A. & Gubrium, J. F. (1994). Phenomenology, ethnomethodology, and interpretative practice. In Denzin, N. K. & Lincoln, Y. S. (Eds.) *Handbook of Qualitative Research*. London: Sage.
- Hopkins, W. E. & Hopkins, S. A. (1999). The ethics of downsizing: Perception of rights and responsibilities. *Journal of Business Ethics*, 18(2), 145 – 156.

-
- Jauhiainen, M. (2000). Labels of difference, voices of dignity. A Pro Gradu Thesis. Department of English. Jyväskylä: University of Jyväskylä.
- Julkunen, R. & Nätti, J. (1999). *The Modernization of Working Times*. Jyväskylä: Sopi.
- Katila, S. (2000). Moraalijärjestyksen rajaama tila: maanviljelijä-yrittäjäperheiden selviytymisstrategiat. Helsinki School of Economics and Business Administration A-174. Helsinki.
- Kilpatrick, A. O., Johnson, J. A. & Jones, J. K. (1991). Organizational downsizing in hospitals: Considerations for management development. *Journal of Management Development*, 10(4), 45 - 52.
- Kortteinen, M. (1992). *Kunnian kenttä. Suomalainen palkkatyö kulttuurisena muotona*. Hanki ja jää.
- Lamertz, K. & Baum, J. A. C. (1998). The legitimacy of organizational downsizing in Canada: An analysis of explanatory media accounts. *Canadian Journal of Administrative Sciences*, 15(1), 93 – 107.
- Lämsä, A-M. (1998). Hyötyä, velvollisuuksia ja tunteita – johtajien kokemuksia henkilöstön irtisanomisesta. Publications of School of Business and Economics, No. 115. Jyväskylä: University of Jyväskylä.
- Lämsä, A-M. (1999). Organizational downsizing – an ethical versus managerial viewpoint. *Leadership & Organization Development Journal*, 20(7), 345 – 353.
- Lämsä, A-M. & Savolainen, T. (2000). The nature of managerial commitment to strategic change. *Leadership & Organization Development Journal*, 21(6), 297 – 306.
- Lämsä, A-M. & Takala, T. (2000). Downsizing and ethics of personnel dismissals – The case of Finnish managers. *Journal of Business Ethics*, 23(4), 389 – 399.
- McKinley, W., Mone, M. A. & Barker III, V. L. (1998). Some ideological foundations of organizational downsizing. *Journal of Management Inquiry*, 7(3), 198 – 212.
- McKinley, W., Zhao, J. & Rust, K. G. (2000). A sociocognitive interpretation of organizational downsizing. *Academy of Management Review*, 25(1), 227 – 243.

- Mone, M. (1994). Relationships between self-concepts, aspirations, emotional responses, and intent to leave a downsizing organization. *Human Resource Management*, 33(2), 281 – 298.
- Orlando, J. (1999). The fourth wave: The ethics of corporate downsizing. *Business Ethics Quarterly*, 9(2), 295 - 314.
- Palmer, I., Kabanoff, B. & Dunford, R. (1997). Managerial accounts of downsizing. *Journal of Organizational Behaviour*, 18, 623 – 639.
- Parker, I. (1992). *Discourse Dynamics. Critical Analysis for Social and Individual Psychology*. London: Routledge.
- Phillips, N. (1991). The sociology of knowledge: Toward an existential view of business ethics. *Journal of Business Ethics*, 10(10), 787 – 795.
- Potter, J. & M. Wetherell (1998). *Discourse and Social Psychology*. London: Sage.
- Rayburn, J. M. (1999). The impact of downsizing. *Academy of Strategic and Organizational Leadership Journal*, 3(2), 64 - 72.
- Toffler, B. L. (1986). *Tough Choices. Managers Talk Ethics*. New York: John Wiley.
- Van Buren III, H. J. (2000). The bindingness of social and psychological contracts: Toward a theory of social responsibility in downsizing. *Journal of Business Ethics*, 25(3), 205 – 219.

THE ROLE OF STRATEGIC GENETICS FOR STRATEGIC CHOICE

Claus Nygaard, Copenhagen Business School

ABSTRACT

With its development of the descriptive concept of strategic genetics, this article aims to show that contemporary prescriptive literature on strategic choice offers little insight into the process of strategic choice in small and medium sized firms. The article has three interrelated main sections. Section I argues that strategic choice of SMEs is conabled (constrained and enabled) by contextually embedded strategic genetics, constituted in a complex interplay of past development and present organization of the firm. Hence strategic choice cannot be made freely in order to position the firm in the market. Section II particularly contributes to the debate on strategic choice with the development of a typology of nine ideal types of strategic genetics. This is based on two qualitative field studies of strategic choice in 42 Danish small and medium sized manufacturing firms, and it shows the role of strategic genetics for strategic choice. Section III confronts the prescriptive perception of generic strategies with the developed concept of strategic genetics on two particular points: 1) its use as prescriptive strategy concept; 2) its view on actors' free choice. The article is concluded with a discussion of its potential points of impact.

CONTEXTUALLY EMBEDDED STRATEGIC GENETICS

This article is based on two qualitative field studies of strategic choice in 42 small and medium sized manufacturing firms in Denmark. Kristensen & Nygaard (2000) studied 25 firms in the county of Copenhagen (eastern part of Denmark), while Nygaard (1999) studied 17 firms in the county of Vejle (western part of Denmark). In a Danish context firms having 1-99 employees are defined as small and medium sized firms. In our population, 35 firms had 1-49 employees and only 7 firms had 50-99 employees. In the business literature strategic choice is commonly used to describe the overall process of decision-making regarding the firms future strategic positioning. For the purposes of this article, I am particularly interested in the traits of firms' decision-making regarding product and process development.

In a large body of prescriptive literature, strategic choice is seen as a free choice made by the firm based on a thorough analysis of internal and external aspects made to position the firm in the market. To exemplify my point, Johnson & Scholes (1999:20-21) writes that: "An understanding of the influence of the environment, the competences of the organisation and the influence of stakeholders and culture provides a basis for strategic choice... in developing strategies, a potential danger is that managers do not consider any but the most obvious course of action - and the most obvious is not necessarily the best. A helpful step in strategic choice can therefore be to generate strategic options." In these approaches strategic choice becomes a

caricature of rational decision-making processes in which calculative and analytical abilities are the only ones necessary to plan strategic choice and future position the firm in the market. To name but a few examples, De Kluyver (2000) uses a model with three principal steps: 1) analysis; 2) assessment; 3) appraisal. Johnson & Scholes (1999) use a model with three principal steps: 1) bases of strategic choice; 2) strategic options; 3) strategy evaluation and selection. Christensen, Andrews, Bower, Hamermesh & Porter (1986) use a model with four principal steps: 1) external appraisal; 2) internal appraisal; 3) creation of strategy; 4) evaluation and choice of strategy.

Common for these models is that they see strategic choice as something made by the executives of the firm after a lengthy time of analysis, consideration and negotiation. Strategic choice becomes an academic exercise rather than executives' and employees' everyday intuitive feel for the game. At the same time these models present strategic choice as an explicit decision-making process, in which the actor is aware of all possible alternative choices on beforehand and due to the thorough analysis furthermore knows the consequences of strategic choices. What about the strategic choices that actors cannot freely plan or decide themselves? What about the strategic choices that actors make but are not aware of or capable to make explicit? The thought provocative debate between Mintzberg and Ansoff in *Strategic Management Journal* (Mintzberg, 1990a, 1990b; Ansoff 1990) discusses these points. Quinn (1978) argues that strategic choice is incremental, and in this article I follow his views when I frame the concept of strategic genetics.

Interviewing owners/managers in small and medium sized manufacturing firms we found that the strategic choice they make on behalf of their firm is not motivated according to plan, pattern, position, perspective or ploy (Mintzberg, Ahlstrand & Lampel, 1998). Nor do they make thorough strategic analysis prior to strategic choices. Rather they refer to a broad variety of contextual matters when motivating strategic choice. Here context refers to a systemic structure as well as a representation of meaning, wherefore I see strategic choice as embedded in a geographical context as well as a context of meaning. Strategic choice is not something that is done once a year on the basis of an analysis, but emerges incrementally and is constantly in the making through time and space as key actors interact. It then follows that strategic choice is an open conceptualization of empirical instances of interplay, rather than a fixed and well-defined concept. It is impossible to make a definite closure with a specification of the content of strategic choice. The argument here is that strategic choice is conabled by contextually embedded strategic genetics. The expression "strategic genetics" symbolizes the genetic features and constitution of a group of manufacturing firms. I argue that the genetic features and constitution of firms are affected by their contextual embeddedness. Based on and along with their strategic genetics firms develop a repertoire of strategic choice used in their competitive positioning. As time goes by specific patterns of interaction are constituted within firms, between firms and outside firms. Strategic choice is a consequence of past development and present organization of the firm. In this perspective the firm cannot break free from its path of development (its historicity), or the actor-structure dialectic in which it is embedded. This embedded and path-dependent interplay constitutes what I term the strategic genetics of the firm, which affect the repertoire of strategic

choice possible for the actor to make and successfully implement in the firm. It is important to stress the point that strategic genetics do not exist per se, but are constituted by - and conables - strategic choice.

In this article strategic choice regards product strategy and process strategy. Strategic choice is conabled by - and constitutes - the strategic genetics of the firm. For this reason strategic choice, cannot be described ex-ante, but has to be perceived by ex-post empirical references to firms' actual product or process strategy. This perception of strategic choice rules out prescriptive models of strategy. It is difficult to be normative and plan strategic choice ahead, when interaction between key actors within and among small and medium sized flexible manufacturing firms and their suppliers, customers, workers, etc, evolves from day to day and leads to different demands, requirements and possibilities for future strategic choice. However, the contextual embeddedness and strategic genetics do not rule out the possibilities for proactive strategic choice. While the firm is context dependent it also creates its context with its strategic choices. Bearing in mind the philosophy underlying these arguments, let us look at the ideal typology of strategic genetics.

TOWARDS A TYPOLOGY FOR STRATEGIC GENETICS

As mentioned before, the empirical foundation of this article is two qualitative field studies of strategic choice in 42 small and medium sized manufacturing firms in Denmark. When we did these studies, much to our surprise we found obvious differences in product and process strategies between the firms - we experienced that their strategic choice differed on these points so to speak. That surprised us because at first sight the 42 manufacturing firms we visited were similar. They did master the same range of technologies and they employed the same categories of workers, such as locksmiths, skilled mechanics, and unskilled workers. They had the same range of machines, such as computer controlled turning lathes, milling machines, and welders. They even worked with the same types of raw materials, such as stainless steel or black iron. They were even registered as members of the same industry, the Danish manufacturing industry. We expected them to make identical strategic choices. However, that was not the case. Upon closer investigation their everyday, contextually embedded strategic choice appeared to be very different.

It appeared to us that they play different roles in the industry at large, and although being members of the same industry, they compete on different terms. Based on our field studies we argue that these differences in strategic choice cannot be understood by reference to competitive aspects of the industry alone. It is better understood by focusing on two important firm-related aspects: type of activity and financial risk. We developed this terminology and categorized firms in relation hereto when we analyzed the strategic choice of 25 manufacturing firms in the county of Copenhagen. To judge their financial risk, we looked at their latest published annual report (1999 or 1998) taken from the database "CD-DIRECT Professional - February 2000" issued by Købmandsstandens Oplysningsbureau A/S. It is important to note that owners/managers do not use our terminology of "type of activity" and "financial risk" when they speak about themselves.

These are not real type categories, but ideal types constructed to facilitate the discussion of strategic genetics. To test the internal arguments of our ideal typology, I went back and analyzed the data from my previous field study of 17 small and medium sized manufacturing firms in the county of Vejle (Nygaard, 1999), which supports the typology of strategic genetics. The first aspect affecting strategic genetics of firms is type of activities. Three types of activities are distinguishable between the firms:

Firms selling manufacturing processes (time work).
Firms manufacturing customer specified product.
Firms manufacturing their own brand / product portfolio.

The second aspect that affects strategic genetics of firms is financial risk. Three types of financial risk are distinguishable between the firms:

Firms on a razor's edge.
Firms being consolidated.
Firms that are bought under the wing of a multinational.

From this recognition comes the typology of strategic genetics, which I argue offers a way in which the firms in the manufacturing industry can be distinguished from each other on aspects affecting their strategic choice. When combined the three types of manufacturing activities and the three types of financial risk give nine ideal types of strategic genetics that leads to different strategic choice regarding product strategy and process strategy. In our empirical studies we found firms representing seven of the nine ideal types. Figure 1 shows the product strategy and process strategy typically followed by firms affected by different types of strategic genetics. Based on this ideal type classification I shall discuss strategic choice within the population of manufacturing firms and its affect on the nature of the industry at large.

Figure 1: Strategic choice based on primary firm activity and financial risk

The names of the cells (A1, A2, A3, etc) are used for clarification purposes only. They appear as reference points later in the text. It is wrong to assume that firms in the same industry, facing the same competitive challenges, can compete on the same generic strategy. Their type of activity and financial risk constitute strategic genetics that conable their possible strategic choice. Each type of firm experiences a particular type of contextual embeddedness, which affects their strategic genetics. They follow a path created on the basis of their type of activity and financial risk, and when they make product strategies or process strategies they further constitute this path. Path dependency does not mean that embeddedness determines strategic choice in absolute form. Nor does it mean that it is possible to predict strategic choice of firms. However, it expresses the view that firms cannot just pick or change strategic choice. Such is conabled by contextually embedded strategic genetics, constituted in a complex interplay of firms' past development and present organization. Let us look at the ideal types of strategic genetics and their role for strategic choice.

Firms on a razor's edge (A1, B1, C1) have a small capital base. Maybe their owner has borrowed money to finance the startup of the firm and so has a debt to pay off. They are not rich firms with free capital resources to use for investments in process or product development. Their strategy is short term as they constantly face the challenge of getting the next order. So do of course all firms, but having a small capital base - being financially on a razor's edge - they have to follow strategies that make it possible for them to cover their immediate operating costs. Due to steady payment of wages to its workers on wage agreements, the firm basically loses money is a machine hour or a product not sold to a customer, and a day goes by without orders on a manufacturing machine. To avoid the lack of qualified and motivated workers when orders come in, firms generally try to keep their workers employed even in times of recession. The expected annual outcome can therefore soon be turned to a loss if customers stay away and operating costs exceed income. To the firm on the razor's edge almost every customer becomes a good customer. Financial survival and the establishment of a portfolio of customers becomes the strategic challenge for the firm. Due to its small capital base, the strategy to sell the capacity of machine hours becomes short term and firms have a tendency to take home every possible order. For the industry at large these firms become a kind of pirates, taking every opportunity to get a new customer or order. They risk getting an unclear profile, when they invest in technologies and recruit workers to get immediate orders with large customers. Furthermore they risk getting a bad reputation, are they forced to "steal" work or workers from competitors when trying to fill the order book.

The consolidated firms (A2, B2, C2) have a solid capital base. They have earned a good share of money during their time in business and are in a solid position. Thereby their survival is not to the same degree dependent on the next order. Their strategic choice becomes long-term, and they have the capital base that enables them to use free resources on creating a unique profile. They can afford to invest in technologies and workers aimed at creating a future market position and relations with particular cooperative partners or customers. At the same time they often have enough financial capacity to either try to out-compete or buy a firm on the razor's

edge, should it become a threat to their competitiveness or market position. Their strategic challenge becomes active profiling, which enables them to attract a portfolio of customers with advanced and challenging needs. In the industry at large they gradually get a reputation as the firms to contact if a specific manufacturing process or product is required.

Firms under the wing (A3, B3, C3) are no longer part of the survival game, as they have been bought by multinationals. They have had a product or product portfolio, which was attractive for the multinational, and thereby their financial risk has gone, because they are now driven as a professional subsidiary with a negotiated continual input of capital. Their strategy is adapted to the strategies of the multinational and they are managed according to the net result they bring to the multinational. They have been bought under the wing of the multinational to play a particular role in relation to its overall corporate strategy. Their immediate strategic challenge becomes to optimize production and minimize costs to secure a positive net result for the multinational. For the industry at large, firms under the wing become a kind of jokers. They are attractive to workers, who wish to make a career, as they constitute organizational hierarchies not seen in the other manufacturing firms. They are managed by professionals and are often allowed to grow large, maybe even offering potential international careers to their best workers. Due to their organizational structure they recruit not only workers for the manufacturing floor, but have professional managers, and employees at the multiple levels of the organizational hierarchy. Overall, they are not attractive for the industry, because their focus is often on in-house processes and products within the multinational itself. Hence they do not cooperate with the local industry to develop manufacturing processes or products at the same degree, as do the other types of firms.

Looking at figure 1 we see tendencies of the way in which the manufacturing industry develops at large. The clarification of product strategy and process strategy enables a specification of the role of strategic genetics for strategic choice.

A firm on a razor's edge selling manufacturing processes (A1) often seeks to develop a product, that may hopefully free it from its short-term process strategy and move the firm from cell A1 to cell C1. If the product is a success the firm may even earn enough money and move to cell C2, a consolidated form selling its own brand/product portfolio. Here it can benefit from the success and be bought by a multinational concern, and move to cell C3. That may be the ideal course for an entrepreneur - to start a firm and end his career selling it for much money. However, this route is not easy to follow. Often firms on a razor's edge do not have the resources required to put a product on the market, and they end up with a strategy of selling products by word of mouth. They have organized production to suit the current market demand, and in order to keep its customer relations and meet the financial requirements, workers are organized to spend their time on primary manufacturing processes. The move from cell A2 to cell C2 is a much more realistic move, as consolidated firms have the capital base to follow a long-term investment strategy, and are able to free resources for further product development and profiling. Again there is the possibility that the owner of the firm gets an offer he cannot refuse to be bought under the wing of a multinational company, and so the firm moves to cell C3.

As it appears the typology of strategic genetics offers an alternative insight into the strategic choice of firms in an industry than does industrial cluster analysis based on statistics of firm population. Say the number of firms stayed the same in the manufacturing industry over a period of time. That would not necessarily mean that the type of firms and their strategic choice would stay the same. Firms constantly move from cell A1 to cell A2, as they get good customers to pay for good processes. They move from cell A1 to cell B1 or cell C1 (and from cell A2 to cell B2 to cell C2) as they develop their products. They move from cell C1 to cell B1 when they fail to market their own brand and hence stop manufacturing standard products and return to make customer specified products. New firms are mostly in the cells A1, B1 or C1. They face economic challenges as they try to establish themselves on the market. Consolidated firms that reach a point in time when they have to be sold on - because owners retire - will automatically move from cells A2, B2 or C2 to cells A1, B1 or C1 respectively, are they not bought by a multinational or another consolidated firm. The investment required to take over a consolidated firm will place a new private owner in a situation where his large investment makes the firm balance on a razor's edge. This is a threat to the evolution of the manufacturing industry at large; as skills, capacities and jobs get lost when well-established firms are not taken over by new generations.

In order to show the difference between my approach and the prescriptive literature on strategic choice, I shall position my descriptive concept of strategic genetics in relation to Porter's concept of generic strategy.

GENERIC STRATEGIES OF FIRMS

The quest for factors leading to competitive advantage has driven much research within the field of strategic management since 1980, when Porter published the concept of generic strategies in his book "Competitive Strategy: Techniques for Analyzing Industries and Competitors". The choice of generic strategy has been seen as the road to success for firms. Porter (1990) argues that firms survive by establishing a defensible market position, based on which they out compete their competitors. The position is established by a comparative advantage, which can be reached by either low cost or differentiation at a narrow or broad market scope. Combining this gives four generic strategies: 1) overall cost leadership, where the firm seek to reduce its costs vis-à-vis its competitors in order to be able to compete on sales price. Overall cost leadership can be fought with even a small market share. It is a mistake of the firm to focus on high market share and scale advantages as the only background for cost leadership. Porter (1980:44) writes that "...low cost may be achievable without high share", a view supported by several empirical studies (see Dess & Davis, 1984 for a discussion of such); 2) differentiation of output, so it adds competitive value to customers, making it possible for the firm to raise its price above average or sell more. Seen from the perspective of the buyer, the generic strategy of differentiation itself is a competition on non-price value. The comparative advantage is further reached through loyalty from customers, which reduce their bargaining power as they have difficulties in finding substitutes. At the same time differentiation creates an

entry barrier for competitors; 3) cost focus strategy, where the firm concentrates on covering the needs of a certain customer segment or geographical market, based on cost reduction or; 4) differentiation focus, where the firm concentrates on covering the needs of a certain customer segment or geographical market based on differentiation for a small market segment. Common for both cost focus and differentiation focus is that competitive advantage is reached through exploitation of intensive customer relations.

Porter presents the generic strategy as the obvious strategic choice of the knowledgeable firm. Further he argues that does the firm not develop a specific generic strategy it will be stuck in the middle, doomed to a low profit rate, and out-competed in the long run. Porter argues that the choice of generic strategy is based on the firms' strength and bargaining power within its industry. At first glance the concept of generic strategy is a meaningful way to discuss strategic choice of small and medium sized manufacturing firms in a Danish context, as they can of course choose to compete on either price or quality at a narrow or broad market segment. Nevertheless there are two major differences between Porter's use of generic strategies and my conceptualization of strategic choice.

We differ on two important points:

<p><i>Prescriptive strategy</i> <i>Actors' free choice</i></p>
--

Prescriptive vs. Descriptive Conceptualization of Strategic Choice

Porter uses the concept of generic strategies as a prescriptive concept. Based on an evaluation of its strength and bargaining power within the industry, he argues which generic strategy will benefit the firm in reaching a future market position. This market position will always be based on a competitive advantage stemming from lower cost or differentiation. The concept of generic strategy does not leave much room for anarchy or chaos. With Porter strategic choice becomes a calculative matter, where the positioning of the firm and the choice of generic strategy is linked to a rational and logical choice of potential and wishful future market position. I disagree with this conceptualization of strategic choice. To me strategic choice has to be understood in another way. I think the concept of generic strategies are better used as a descriptive concept to show ideal types of strategic choice of firms, which have been grouped based on their type of activity and financial risk. I would argue that firms on a razor's edge are stuck in the middle not because they lack a choice of strategy - but because they cannot break free from their strategic genetics. They are conabled by past development and present organization. Us telling them to stick to their priorities of either low cost or differentiation will not help them in their everyday strategic choice, because their repertoire is limited by default. A firm on a razor's edge may have developed a product that by market standards is excellent, but due to its lack of capital base and "free" employees to target further research or marketing tasks, the firm cannot choose and follow a generic strategy. Five strategic analyses will not change that setup.

Using Porter's concept of generic strategies alone, we miss reasons for firms' strategic choice, and we wrongly compare strategies of the different ideal types of manufacturing firms described above. Firms on a razor's edge cannot be compared to consolidated firms - even if they are in the same industry. The same holds for firms with different types of activity.

In figure 2, I apply Porter's concept of generic strategy on firms categorized according to their strategic genetics. It shows how every manufacturing firm, because we look into its type of activity and financial risk, follows multiple generic strategies at the same time - a messy picture of firms stuck in the middle, being unable to gain long-term competitive advantages.

The categorization of primary and secondary generic strategy shall be seen as ideal types rather than real types. That was also the case with figure 1. Trying to use Porter's concept of generic strategies on the various firm types result in an unclear picture of generic strategies. Although some common aspects are clear, every firm type seems to follow several generic strategies in their strategic choice.

Figure 2: Porter's generic strategies in relation to firm's type of activity and financial risk

Due to their strategic genetics firms on a razor's edge are all primarily stuck in the middle regardless of their type of activity. It is so as they are conabled by random customer relations. This is especially true for firms selling manufacturing processes (time work) (A1) and firms with customer specified products (A2) whereas firms with own brand/product portfolio (A3) have a tendency to be more focused. However, all firms on a razor's edge seem to have many relations to a large number of random customers, and they allow their strategic choice to be affected by market demand or random aspects. Firms selling manufacturing processes (time work) (A1) secondarily have a cost leadership strategy, as they sell (standard) manufacturing processes on an hourly basis, where price is crucial for the next order. Firms with customer specified products (A2) secondarily have a differentiated focus, where they seek to establish a steady customer base

or segment, which over time can gain them a stable stream of orders. Firms with own brand/product portfolio (A3) secondarily have a differentiated focus strategy, as they seek to market their brand through existing networks. Being on a razor's edge they do not have resources for a targeted marketing campaign and their primary strategy becomes to reach new customers by word of mouth.

Consolidated firms, selling manufacturing processes (B1) primarily have a differentiation strategy. Their financial status allows them to take initiatives to profile themselves in the industry, such as investing in new technology for advanced manufacturing processes, which differentiate them from their competitors. Secondarily they seek cost leadership, as they sell manufacturing processes by the hour and hence need to be price competitive. Consolidated firms with customer specified products (B2) primarily have a cost focus strategy. They are dependent on customers to place construction assignments with them, and it is important for them to have a broad and solid customer base or market segment. They try to reach this by offering tailored construction jobs at a competitive price. Secondarily they use their good financial situation to follow a differentiation strategy, which is done by investing in new technology, which can give them a certain profile and attract customers. Consolidated firms with own brand/product portfolio (B3) are set free from the overall financial risk and are able to concentrate on continuous brand/product development. Primarily they follow a differentiation strategy. Secondarily they follow a differentiated focus strategy, during which they seek to develop a customer base or market segment along with product or process development.

Firms in the final category, under the wing (C3) primarily follow a cost leadership strategy. This is a consequence of them being members of multinational concerns often managed with a strong focus on economic performance. Secondarily they can follow a cost focus strategy as well as a differentiation strategy, according to the role they have been given as subsidiary within the multinational. The major difference between firms under the wing and the other two categories of firms is the introduction of professional/salary paid managers who work with strategy formulation. This is not so common with consolidated firms and it is rarely found in firms on a razor's edge.

The disadvantage of Porter's concept of generic strategy is that it does not allow such important differences as type of activity and financial risk to be pointed out among firms. According to Porter firms are different due to their choice of generic strategy. They compete with other firms based on their choice of generic strategy. With the concept of strategic genetics it is different. Here firms are different due to their type of activity and financial risk, and their repertoire of strategic choice is conabled by their contextually embedded strategic genetics, constituted in a complex interplay of past development and present organization. The concept of strategic genetics, actively focus on these elements.

Free vs. Conabled Strategic Choice

In Porter's universe, firms are able to pick their own generic strategy. They do so based on an analysis of their competitive context. I disagree with this conceptualization of free strategic

choice. Firms are first and foremost conabled by their type of activity and financial risk, just as they are conabled by their previous strategic choices. The future realm for strategic choice is created by the firms' interpretation of their context, and there is no guarantee that the firm interprets its context the way in which the context likes to be interpreted. The firm on a razor's edge selling manufacturing processes (time work) has no other alternatives than to be stuck in the middle, while constantly trying to suit the needs of the random customer that requires a certain manufacturing process at a low price. This is so because a positive annual net result can relatively quickly be reduced to a financial loss if customers stay away. Such firms live by the hour, from day to day.

Porter (1980:4) introduces the industry analysis "Five Forces", where the following forces are argued to affect the competitive advantage of firms, hence their choice of generic strategy: 1) intensity of rivalry between competing firms; 2) threat of new entrants; 3) threat of substitute products; 4) bargaining power of firm's suppliers; and 5) bargaining power of firm's customers. Based on the firm's situation in relation to these five aspects, it has to choose between one of two basic types of competitive advantage, namely low cost or differentiation.

Even if the firm did conduct an industry analysis like Porter suggests and found that it ought to differentiate its manufacturing processes to narrow its competitive scope, it would be difficult for it to do so, due to its strategic genetics. The skills of the workers, the manufacturing technology, the managerial system, and the financial risk keep the firm to its routines and it creates the path of opportunities that will be followed in the immediate future.

DISCUSSION

Does this mean that no firm will be able to choose its generic strategy? Does it mean that my argument is that Porter's concept is of no use at all? Certainly not, I have to stress. But you have to be aware that a firms' strategic choice is conabled by its strategic genetics. It is difficult for small and medium sized firms to change their strategic genetics. Our empirical analysis of firms' strategic choice has shown that only large firms with free resources that can be located to alternative strategic choices can break free from their strategic genetics. Or you have to be a small and consolidated firm to do so. The small firm on a razor's edge, who needs to be flexible and adaptable to win orders, cannot break free from its strategic genetics. It has adapted its internal organization to external circumstances, and it does not have the free resources needed to change its strategic genetics by own will.

In my view we cannot criticize such small and medium sized manufacturing firms for not thinking or acting strategically, and we cannot argue that they are stuck in the middle and will perform below average, just because they are not capable of stating an explicit generic strategy, when asked to do so. The 42 Danish manufacturing firms we have visited, are constantly thinking about strategy. In their everyday interaction with customers, suppliers, competitors, public and private organizations and institutions, they are almost breathing strategy. And because every strategic choice they make is influenced by their strategic genetics and constitutes their future

strategic genetics and has implications for their following repertoire of strategic choices, they seek to organize the firm in a way that helps them avoid or overcome forthcoming obstacles.

CONCLUSION AND POTENTIAL POINTS OF IMPACT

My introduction of strategic genetics as opposed to generic strategies has been made to show that firms have large difficulties in breaking free from or change their strategic genetics even if they should want to follow a completely new strategic route. Therefore the prescriptive concept of generic strategy is of little use when trying to understand strategic choice of small and medium sized firms.

In our empirical studies (Nygaard, 1999; Kristensen & Nygaard, 2000) we have seen examples of firms that have changed strategic genetics, but these firms have been bought by multinationals, after which their financial risk and type of activity have been radically changed. The small firm on a razor's edge doing timework, customer specified products, or manufacturing its own brand/product, does not have the opportunity to immediately change route by free will. Porter's concept of generic strategy demands a certain type of firm, although that is an aspect often neglected when we use his models to make strategic analysis.

Explanations and lessons to be learnt from our studies and development of the typology of strategic genetics are multiple and interrelated. Conceptualizing strategic choice as a phenomenon affected by contextually embedded strategic genetics opens up a side to theoretical debates on strategic choice and has implications for our educations in business strategy and business economics. We need to address the question of strategic choice with typologies and models that apply to small and medium sized firms. At the same time it presents several challenges to the current and future research on strategic management. It puts focus on the role and nature of ongoing system of social relations in which firms and key actors are embedded, which helps explain their ongoing strategic choices. Furthermore it presents methodological challenges, as it requires that we do micro sociological empirical field studies in order to be able to understand the way in which contextually embedded strategic genetics become institutionalized and constitute strategic choice in industries. My examples are from the Danish manufacturing industry, and it should be interesting to see whether firms in other national contexts are conabled in similar ways by their financial risk and type of activity.

To understand what really drives competitive advantage, technological development, and industrial organization in general, studies of strategic choice need to focus on the contextually embedded strategic genetics. Otherwise our thoughts on business strategy, industrial organization, regional- and industrial politics remains mere anecdotes with only random appeal on the practitioners whose interaction we wish to study and facilitate with our creation of theoretical models and consultancy tools. I hope this particular discussion of strategic genetics based on two micro sociological empirical studies of strategic choice in 42 Danish manufacturing firms has introduced a new terminology that opens up to a new theoretical and methodological debate that helps us overcome such obstacles.

REFERENCES

- Ansoff, I. (1990). Critique of Henry Mintzberg's "The design school: Reconsidering the basic premises of strategic management". *Strategic Management Journal*, 12, 449-461.
- Christensen, C.R., K. Andrews, J. Bower, R. Hamermesh & M.E. Porter (1986). *Business Policy: Text and Cases*. 6th edition. Homewood, Illinois: Richard D. Irwin.
- De Kluyver, C.A. (2000). *Strategic thinking. An executive perspective*. Englewood Cliffs: Prentice Hall.
- Dess, G.G. & P.S. Davis (1984). Porter's (1980) generic strategies as determinants of strategic group membership and organizational performance. *Academy of Management Journal*, 27(3).
- Johnson, G. & K. Scholes (1999). *Exploring corporate strategy*. Fifth edition, Europe: Prentice Hall.
- Kristensen, P.H. & C. Nygaard (2000). Det industrielle håndværk i københavnsområdet - ved en skillevej?. Københavns Amt, Erhvervskontoret.
- Mintzberg, H. (1990a). The design school: reconsidering the basic premises of strategic management. *Strategic Management Journal*, 11, 171-195.
- Mintzberg, H. (1990b). Research notes and communications. Learning 1, planning 0. Reply to Igor Ansoff. *Strategic Management Journal*, 12, 463-466.
- Mintzberg, H., B. Ahlstrand & J. Lampel (1998). *Strategy safari. A guided tour through the wilds of strategic management*. Europe: Prentice Hall.
- Nygaard, C. (1999). *The effect of embeddedness on strategic action*. Copenhagen: Samfundslitteratur,
- Porter, M.E. (1980). *Competitive strategy: techniques for analyzing industries and competitors*. New York: Free Press.
- Porter, M.E. (1990). *The competitive advantage of nations*. London: Macmillan.
- Quinn, J.B. (1978). Strategic change: "Logical incrementalism". *Sloan Management Review*, Fall, 7-21.

STRATEGIC HUMAN RESOURCE MANAGEMENT: MEASUREMENT SCALE DEVELOPMENT

Ken Green, Henderson State University
Bobby Medlin, Henderson State University
Reneé Medlin, Quapaw Technical Institute

ABSTRACT

The scale development paradigm recommended by Churchill (1979) was generally followed to develop a reliable, valid scale for measurement of the degree of strategic human resource management (STRHRM) exhibited by an organization. The process included a two-stage sampling approach incorporating factor analysis, correlation, regression, and structural equation analyses to facilitate scale development. The resulting 9-item STRHRM scale includes three dimensions: vertical alignment of the human resource management function with the organization's mission and objectives, impact of the human resource management function on organizational performance and horizontal integration of the organization's human resource management function with the other staff and line functions within the organization.

INTRODUCTION

The primary purpose of this study was to develop a scale that measures the degree of Strategic Human Resource Management (STRHRM) exhibited by an organization. Churchill's (1979) paradigm for the development of valid, reliable scales was generally followed. Additionally, Bagozzi's (1984) holistic construal approach was employed to further assess the validity of the STRHRM. The secondary purpose was to identify and describe the relationships between STRHRM and organizational performance (OS), individual performance (IP), job satisfaction (JS), attendance/absenteeism (ABS) and tenure/turnover (TEN).

A literature review was conducted to specify the domain of the STRHRM construct and generating a sample of scale items. After purifying the scale, data was collected from a stage-2 sample. Usable responses were gathered from 148 business professionals (with the vast majority employed in human resource-related positions). The STRHRM construct was identified as having three distinct dimensions: (1) vertical alignment with the organizations vision/mission, (2) direct impact on individual and organizational performance, and (3) horizontal integration of the human resource function with other staff and line functions. A valid, reliable 9-item measurement scale for STRHRM resulted from the factor analysis.

Correlation, regression and structural equation analyses were conducted to identify and describe the relationships among the constructs. As expected, a high degree of STRHRM was found to significantly relate to organizational performance, individual performance, job satisfaction, attendance, and tenure.

LITERATURE

Traditional human resource management consists of the human resource function serving a supporting role to the "primary" functions within the organization-production/operations, marketing, and finance. Personnel managers handled administrative duties and responsibilities in staffing, training, and compensation. This activity-form of HR remains the most prevalent structure in most organizations (Story, 1993; Martell and Carroll, 1995). Strategic human resource management attempts to integrate the human resource function into the strategic planning process of the organization. Though traditional human resource roles are still performed, management also recognizes HR as a critical component of effectiveness and thus a crucial element in the strategic management process.

Research in the area of STRHRM has increased in the past decade. A number of key elements have emerged in an attempt to precisely define the concept. Walker (1992) stresses that achieving competitive advantage is a critical part of STRHRM. Strategic human resource management serves the role of maximizing the contribution of employees in achieving competitive advantage for the firm. Clark (1993) defines STRHRM as being "...concerned with the promotion of efficiency and profitability." Strategic human resource management centers on how organizations can improve the competitive performance by considering and utilizing their human resources more effectively.

Delery and Doty (1996) discuss a universalistic approach to STRHRM. This approach accepts that there is a set of universally effective HR practices. The role of HR managers is to persuade their organizations to adopt these practices. They found that adopting such practices had positive impact on selected organizational performance criteria. Swiercz (1995) concluded that there are key concepts to strategic human resource management. Internal fit refers to the consistency that exists among various human resource practices within an organization. Various HR decisions should be in supportive concert with each other. External fit refers to how well human resource practices within the organization are consistent with the overall strategy of the organization.

Eisenstat (1996) viewed STRHRM as an internal service provider to other business units within the organization. HR professionals help solve people-related problems in the various divisions and departments by working closely with those business managers-thus leading to greater effectiveness of each unit.

Ichinowski, Shaw, and Prensushi (1993) found that HR systems that included high levels of employee involvement, decentralized decision-making, and other employee empowerment programs result in higher levels of productivity. Dyer and Reeves (1995) discussed a configurational approach to STRHRM. Within this approach, enhancing an organization's competitive advantage and effectiveness is not dependent on a single HR program, but on a set, or "bundle," of practices.

Lado and Wilson (1994) presented a resource/competency-based model to explain how HR activities contribute to competitive advantage. They suggest that HR systems can maximize the "rare, valuable, non-substitutable, and imperfectly imitable" nature of a firm's human

resources in a number of ways. These would include better articulation of the organization's mission, enhanced acquisition of employees, improved development of skills, and improved learning. Kamoche (1996) suggests enhancing competitive advantage by "leveraging competencies." This refers to using skills and knowledge throughout an organization regardless of where in the organization those skills are found.

For purposes of this study, it was hypothesized that STRHRM positively impacts individual and organizational performance and job satisfaction while increasing the likelihood of individual attendance and tenure.

METHOD

A literature search was undertaken for the purpose of specifying the domain of the Strategic Human Resource Management (STRHRM) construct and developing an initial pool of scale items. A questionnaire was developed from the initial set of items and data was collected from a stage-1 sample. It should be noted that the data set resulting from this initial sample was too small to be directly factor analyzed. To facilitate the necessary factor analysis, an unorthodox duplication of the data set was required. The expanded data set from the first sample was factor analyzed and the results used to purify the STRHRM scale. A second list of strategic human resource management related questions was developed using the purified scale. These questions and scales related to OP, IP, JS, ATT and TEN were incorporated in a second STRHRM Questionnaire (Appendix A). Data were then collected from a stage-2 sample.

Principal components analysis with a VARIMAX rotation was used to identify the number of factors present in the data. The data set was then subjected to a maximum likelihood factor analysis with an OBLIMIN rotation. It was assumed that the factors of the STRHRM construct are related. This assumption dictated use of an oblique rotation. Factor loadings on each factor were examined for purposes of describing each factor. Items with the highest factor loadings were considered for inclusion in the final STRHRM scale. Alpha scores were then determined for each factor and for the overall scale. Alpha scores were also determined for the remaining multi-items scales for OP, IP, JS and ATT.

In an effort to glean all available information from the data set, missing values were replaced with variable means prior to conducting the relationship analyses. Correlation analysis was conducted to identify significant relationships among the variables. Regression analysis was then conducted to determine the type and strength of the relationships between the constructs with STRHRM as the independent variable and OP, IP, JS, ATT and TEN as dependent variables. A structural equation model was developed that incorporated STRHRM as antecedent to OP, IP, JS, ATT and TEN. The measurement model was assessed and a competing models approach was taken to identify a better-fit model. The resulting better-fit model was assessed to determine how well the model fit the data set.

RESULTS

Scale development results, results from the correlation and regression and results from the structural equation modeling analysis are presented in separately. Generally, a reliable, valid scale for STRHRM was developed. The correlation and regression analyses indicate significant relationships between STRHRM and OP, IP, JS, ATT and TEN. A better-fit structural model was defined that generally fit the data well. Results from the relationship analyses generally support the hypothesized relationships.

STRHRM Scale Development

The initial literature search was conducted for the purpose of specifying the domain of the STRHRM construct and generating a sample of scale items identified five potential dimensions and forty-six sample items which were used to develop the initial survey instrument. An initial data set was collected to allow purification of the scale. The forty-six items were factor analyzed using the principal components method with VARIMAX rotation. Seven factors were identified with nineteen items having factor loadings greater than or equal to .8 were retained and used to prepare a preliminary STRHRM scale for inclusion in the STRHRM Questionnaire (Appendix A).

Human resource related e-mailing lists were obtained from Internet sources and those included on the lists were asked to respond electronically to the STRHRM Questionnaire. One hundred and forty-eight responses were received from the 1,740 e-mail messages delivered resulting in an 8.5% return rate. Eighty-two percent of the respondents held human resource related positions, and seventy-one respondents worked for private organizations.

Three factors were identified through principal components analysis. Both the eigenvalues and the scree plot indicated the presence of three factors in the data set. Maximum likelihood factor analysis with an oblique rotation (OBLIMIN) was then applied to the data set. The three factors were assumed related necessitating use of the oblique rotation. Correlation analysis yielded correlation coefficients among the factors between .55 and .62. Table 1 summarizes the results of the maximum likelihood factor analysis.

Dimension/Item Number	Factor 1	Factor 2	Factor 3
Vertical Alignment			
12	0.906	0.038	-0.054
5	0.775	-0.051	0.131
11	0.751	0.154	-0.107
2	0.716	0.205	-0.026
10	0.656	-0.087	0.146
16	0.565	-0.030	0.220
1	0.560	0.172	0.066
18	0.542	-0.205	0.316

Dimension/Item Number	Factor 1	Factor 2	Factor 3
Impact on Performance			
8	-0.065	0.768	0.273
3	0.173	0.733	-0.005
9	0.133	0.663	0.199
Horizontal Integration			
14	-0.169	0.088	0.891
6	0.065	0.137	0.710
7	0.095	0.134	0.699
19	0.017	0.025	0.692
13	0.095	0.081	0.672
17	0.108	0.001	0.648
4	0.236	0.077	0.551
15	0.230	-0.024	0.494
% Total Variance Explained	24.918	11.430	25.127
% Common Variance Explained	40.533	18.594	40.874

With one exception, the three items with the highest factor loadings on a factor were retained for inclusion in the STRHRM scale. The exception, item 11, had a high factor loading on factor 1 but did not appear to be in common with items 12, 5 and 2 which also loaded high on factor 1. Table 2 lists the three factors and associated items.

Strategic Human Resource Management Scale (scale alpha = .91)	
Factor 1	Vertical Alignment of Human Resource Function (dimension alpha = .87)
Item 12	Top management incorporates HR information (plans, requirements, activities, etc.) when establishing the direction the organization should take. (factor loading .904)
Item 5	This organization's top-level managers are trained to integrate all levels (supervisory through executive) and functions (marketing, accounting, finance, production, HR, etc.) of the organization into the decision making process. (factor loading .773)
Item 2	This HRM unit has been fully integrated into the strategic planning process. (factor loading .715)
Factor 2	Impact of Human Resource Function on Performance (dimension alpha = .88)
Item 8	The effectiveness of this HRM unit has a direct impact on individual job outcomes (performance, productivity, quality, satisfaction, retention). (factor loading .769)
Item 3	The actions of this HRM unit directly impact organizational performance. (factor loading .733)
Item 9	The effectiveness of this HRM unit has a direct impact on organizational outcomes (survival, competitiveness, growth, profitability). (factor loading .664)
Factor 3	Horizontal Integration of the Human Resource Function (dimension alpha = .87)

Item 14	This HRM unit works hard to maintain a cooperative partnership with individual managers. (factor loading .888)
Item 6	This HRM unit regularly checks with other units to identify organizational training needs. (factor loading .709)
Item 7	This HRM unit helps departmental managers carry out their critical HRM responsibilities. (factor loading .698)
Note:	All items required response to a 6-point Likert scale (1=strongly agree; 6=strongly disagree)

The items loading on each factor were generally reviewed for purposes of naming and describing the factors. The three factors or dimensions of STRHRM include: 1) vertical alignment of the human resource function, 2) impact of the human resource function on performance, and 3) horizontal integration of the human resource function. Coefficient alpha for the nine-item STRHRM scale was computed as .91. Dimension alphas were computed as .87 for the vertical alignment and horizontal integration dimensions, and .88 for the performance dimension.

Table 3 lists the scale items for the OP, IP, JS, ATT and TEN scales and includes the coefficient alpha scores for each of the multi-item scales. The OP, IP, JS and ATT multi-item scales generated alphas of .93, .86, .85 and .73, respectively.

TABLE 3: Organizational Performance, Individual Performance, Job Satisfaction, Attendance and Tenure Scales	
Organizational Performance Scale (scale alpha = .926)	
1.	This organization's return on investment is improving. (factor loading .737)
2.	This organization's profits are increasing. (factor loading .709)
3.	Productivity in this organization is improving. (factor loading .762)
4.	The quality of the products and/or services provided by this organization is improving. (factor loading .788)
5.	This organization's competitive position in the industry is improving. (factor loading .858)
6.	This organization's market share is increasing. (factor loading .788)
7.	This organization's sales are increasing. (factor loading .738)
Individual Performance Scale (scale alpha = .865)	
1.	My individual performance has improved significantly during the last year. (factor loading .763)
2.	The individual performance of my co-workers has improved significantly during the last year. (factor loading .763)
Job Satisfaction Scale (scale alpha = .852)	
1.	I am satisfied with my job. (factor loading .743)
2.	My co-workers are satisfied with their jobs. (factor loading .743)
Attendance Scale (scale alpha = .732)	
1.	I seldom find it necessary to be absent from my job. (factor loading .578)
2.	My co-workers seldom find it necessary to be absent from their jobs. (factor loading .578)
Tenure Scale	
1.	The turnover rate within this organization is relatively low.
Note:	All items required response to a 6-point Likert scale (1=strongly agree; 6=strongly disagree)

Correlation and Regression Analyses

Prior to the correlation and regression analyses, variable averages were substituted for missing values. Generally, scores representing each of the study variables were computed by averaging associated item responses. An overall STRHRM score was computed by averaging only the 9 items remaining following the factor analysis. Sub-scores for each of the STRHRM scale components were computed by averaging the 3 items associated with each component. Number of employees (EMP) and TEN were represented by single item scales and, therefore, required no averaging.

The correlation matrix for the summary scores is presented in Table 4. EMP is not significantly correlated with other study variables. EMP was included to facilitate control for organization size in the regression and structural equation analyses. The lack of significant correlation eliminates the need to further consider the impact of organization size. All study variables demonstrate significant correlations of the expected sign. Correlation coefficients for TEN and STRHRM and TEN and IP were identified as significant at the .05 level. All other correlation coefficients, excluding those associated with EMP, were identified as significant at the .01 level.

(n=148)	STRHRM	OP	IP	JS	ATT	TEN
STRHRM	1.000					
OP	0.588**	1.000				
IP	0.522**	0.549**	1.000			
JS	0.496**	0.525**	0.619**	1.000		
ATT	0.518**	0.491**	0.472**	0.517**	1.000	
TEN	0.197*	0.220**	0.165*	0.296**	0.215**	1.000

** Correlation is significant at the 0.01 level (2-tailed) * Correlation is significant at the 0.05 level (2-tailed)

To further assess the type and strength of the relationships among the study variables, regression analyses with STRHRM as the independent variable and OP, IP, JS, ATT and TEN as dependent variables were completed. Table 5 displays the results of these regression analyses. Generally, STRHRM was found to be significantly related to each of the independent variables. R² values for the relationships between STRHRM and OP, IP, JS, ATT and TEN were computed at .346, .272, .241, .268 and .039, respectively. Significance levels for the overall models with STRHRM as the independent variable and OP, IP, JS, and ATT as the dependent variables exceeded the .01 level. The overall model significance level for the TEN model was reported as .016. The regression coefficients for STRHRM in the models were computed as .556 for the OP model, .485 for the IP model, .562 for the JS model, .489 for the ATT model and .280 for the TEN model.

Structural Equation Modeling Results

Bagozzi (1984) calls for incorporation of the construct of primary interest within a structural model to determine whether the new construct behaves as expected when associated with antecedent and consequence constructs. For this study, STRHRM is the focal construct and OP, IP, JS, ATT and TEN serve as the consequence constructs. Although desirable, no antecedent construct was incorporated. The general model with hypothesized relationships is presented in Figure 1.

TABLE 5: Regression Analysis Results		
Model (n = 148)	R-Square	Model-F
OP = 1.827a + .556a*STRHRM	.346	.000
IP = 2.333a + .485a*STRHRM	.272	.000
JS = 1.974a + .562a*STRHRM	.246	.000
ATT = 2.948a + .489a*STRHRM	.268	.000
TEN = 2.986a + .280b*STRHRM	.039	.016
a Significant at the 0.01 level (2-tailed) b Significant at the 0.05 level (2-tailed) STRHRM Strategic Human Resource Management OP Organizational Performance IP Individual Performance JS Job Satisfaction ATT Attendance TEN Tenure		

Figure 1: Strategic Human Resource and Performance Model with Hypothesized Relationships

STRHRM	Strategic Human Resource Management
OP	Organizational Performance
IP	Individual Performance
JS	Job Satisfaction
ATT	Attendance
TEN	Tenure

A structural model based upon the general model was constructed and found to poorly fit the data. LISREL 8.5 software was used to assess the goodness of fit and returned a Chi-Square probability of 0.000, a root mean square error of approximation of 0.149 and a goodness of fit index of 0.637. This initial structural model incorporated the 9 variables measuring STRHRM and the 7 variables measuring OP. This initial model was modified based on recommendations for improvement generated by the LISREL 8.5 software. The number of measurement variables associated with the STRHRM construct was reduced from 9 to 5, and the number of variables associated with the OP construct was reduced from 7 to 5. Additional paths from OP to IP, OP to JS and JS to ATT were included and the error terms for multiple variable pairings were allowed to correlate. The resulting model proved a much better fit for the data with Chi-Square probability of 0.164, a root mean square error of approximation of 0.0318 and a goodness of fit index of 0.923. The modified model is presented in Figure 2 and the complete listing of goodness of fit statistics is presented in Table 6.

FIGURE 2: Strategic Human Resource and Performance good Fit Model with Standardized Coefficients

STRHRM	Strategic Human Resource Management
OP	Organizational Performance
IP	Individual Performance
JS	Job Satisfaction
ATT	Attendance
TEN	Tenure

TABLE 6: Goodness of Fit Statistics for Modified Structural Model

<p>Degrees of Freedom = 86 Minimum Fit Function Chi-Square = 104.058 (P = 0.0900) Normal Theory Weighted Least Squares Chi-Square = 98.778 (P = 0.164) Estimated Non-centrality Parameter (NCP) = 12.778 90 Percent Confidence Interval for NCP = (0.0 ; 41.545)</p>
<p>Minimum Fit Function Value = 0.708 Population Discrepancy Function Value (F0) = 0.0869 90 Percent Confidence Interval for F0 = (0.0 ; 0.283) Root Mean Square Error of Approximation (RMSEA) = 0.0318 90 Percent Confidence Interval for RMSEA = (0.0 ; 0.0573) P-Value for Test of Close Fit (RMSEA < 0.05) = 0.865</p>
<p>Expected Cross-Validation Index (ECVI) = 1.352 90 Percent Confidence Interval for ECVI = (1.265 ; 1.548) ECVI for Saturated Model = 1.850 ECVI for Independence Model = 13.258</p>
<p>Chi-Square for Independence Model with 120 Degrees of Freedom = 1916.951 Independence AIC = 1948.951 Model AIC = 198.778</p>

Saturated AIC = 272.000 Independence CAIC = 2012.906 Model CAIC = 398.639 Saturated CAIC = 815.621
Normed Fit Index (NFI) = 0.946 Non-Normed Fit Index (NNFI) = 0.986 Parsimony Normed Fit Index (PNFI) = 0.678 Comparative Fit Index (CFI) = 0.990 Incremental Fit Index (IFI) = 0.990 Relative Fit Index (RFI) = 0.924
Critical N (CN) = 169.698 Root Mean Square Residual (RMR) = 0.0373 Standardized RMR = 0.0372 Goodness of Fit Index (GFI) = 0.923 Adjusted Goodness of Fit Index (AGFI) = 0.877 Parsimony Goodness of Fit Index (PGFI) = 0.583

Results Summary

The 9-item scale that resulted from the scale development process is considered both reliable and valid. A computed coefficient alpha of .91 serves as an indicator of reliability. Generally following the processes recommended by Churchill (1979) and Bagozzi (1984) ensure that the resultant scale provides a valid measure of the STRHRM construct. The final 9 items selected through the factor analyses procedure combined to form a scale which provides a STRHRM measure that relates as expected with measures of organizational and individual performance, job satisfaction, likelihood to attend (or be absent) and likelihood to continue employment (or turnover). Results of the correlation, regression and structural equation analyses indicate that a high degree of STRHRM relates positively to self-assessed organizational performance, individual performance, job satisfaction, likelihood to attend and likelihood to continue employment.

CONCLUSIONS

The STRHRM construct was identified as having three dimensions: 1) vertical alignment of the human resource function with the organization's vision/mission, objectives and plans, 2) direct impact of the human resource function on individual and organizational performance, and 3) horizontal integration of the human resource function with other staff and line functions within the organization. A valid, reliable 9-item STRHRM scale was developed to facilitate measurement of the degree of strategic human resource management exhibited by an organization. If an organization's human resource function is vertically aligned, horizontally integrated and directly impacts performance, the organization may be described as exhibiting a high degree of strategic human resource management.

The primary purpose of this study was achieved. The resultant measurement scale for degree of strategic human resource management exhibited by an organization is now available for use by both practitioners and researchers in the field of human resource management. There are, however, limitations to this study. They include: 1) use of an unorthodox data replication method to facilitate factor analysis of the stage one data, 2) use of previously untested measures of organizational performance, individual performance, job satisfaction, likelihood of attendance and continued employment, 3) the lack of an antecedent to the STRHRM construct in the structural equation model.

REFERENCES

- Bagozzi, Richard P. (1984). A prospectus for theory construction in marketing. *Journal of Marketing*, 48, 11-29.
- Churchill, G. A. Jr. (1979). A paradigm for developing better measures. *Journal of Marketing Research*, 16, 64-73.
- Delery, John, & Doty, Harold (1996). Modes of theorizing in strategic human resource management: Tests of universalistic, contingency, and configurational performance predictions. *Academy of Management Journal*, 39, 802-835.
- Dyer, Lee, & Reeves, Todd (1995). Human resource strategies and firm performance: What do we know and where do we need to go? *The International Journal of Human Resources Management*, 6, 656-670.
- Eisenstat, Russell (1996). What corporate human resources brings to the picnic: Four models for functional management. *Organizational Dynamics*, 25, 7-22.
- Ichinowski, C., Shaw, K., & Prensushi, G. (1993). *The effects of human resource management practices on productivity*. Paper presented at the ILR School, Cornell University.
- Kamoche, Ken (1996). Strategic human resource management within a resource-capability view of the firm. *Journal of Management Studies*, 33, 213-233.
- Lado, Augustine, & Wilson, Mary (1994). Human resource systems and sustained competitive advantage: A competency-based perspective. *Academy of Management Review*, 19, 699-727.
- Storey, John, Martell, & Carroll, Stephen (1995). How strategic is HRM? *Human Resource Management*, 34, 253-267.
- Swiercz, Paul M. (1995). Strategic HRM. *Human Resource Planning*, 18, 53-59.

Walker, James, & Clark, Ian (1993). HRM: Prescription, description and concept. *Personnel Review*, 22, 20-23.

APPENDIX A STRATEGIC HUMAN RESOURCE MANAGEMENT QUESTIONNAIRE ITEMS	
Respondents were asked to indicate relative disagreement or agreement with each of the following statements on a 6-point scale (1=strongly disagree, 6= strongly agree).	
Strategic Human Resource Management Items	
1.	Compliance with HRM policies, procedures, rules and regulations complements this organization's focus on performance.
2.	This HRM unit has been fully integrated into the strategic-planning process.
3.	The actions of this HRM unit directly impact organizational performance.
4.	The things this organization does particularly well are understood by the members of this HRM unit.
5.	This organization's top-level managers are trained to integrate all levels (supervisory through executive) and functions (marketing, accounting, finance, production, HR, etc.) of the organization into the decision making process.
6.	This HRM unit regularly checks with other units to identify organizational training needs.
7.	This HRM unit helps departmental managers carry out their critical HRM responsibilities.
8.	The effectiveness of this HRM unit has a direct impact on individual job outcomes (performance, productivity, quality, satisfaction, retention).
9.	The effectiveness of this HRM unit has a direct impact on organizational outcomes (survival, competitiveness, growth, profitability).
10.	Generally, all of our managers understand the core values of this organization.
11.	This organization's operations managers provide the HRM unit with estimates of the human resource needs of their individual departments.
12.	Top management incorporates HR information (plans, requirements, activities, etc.) when establishing the direction the organization should take.
13.	This HRM unit works to develop employees with knowledge and skills which the organization will need in the future.
14.	This HRM unit works hard to maintain a cooperative partnership with individual managers.
15.	Employee attitudes toward HRM practices are periodically evaluated.
16.	Operations managers and the HRM staff jointly develop a strategic HR plan and present it to top management.
17.	HRM unit members believe that employee/organization fit is important to overall organization success.
18.	Members of this organization believe our employees serve to provide a source of sustainable competitive advantage.
19.	This HRM unit develops a formal evaluation of the HR needs in terms of knowledge and skill and uses it to formulate training plans.
Organizational Performance Items	

APPENDIX A STRATEGIC HUMAN RESOURCE MANAGEMENT QUESTIONNAIRE ITEMS	
1.	This organization's return on investment is improving.
2.	This organization's profits are increasing.
3.	Productivity in this organization is improving.
4.	The quality of the products and/or services provided by this organization is improving.
5.	This organization's competitive position in the industry is improving.
6.	This organization's market share is increasing.
7.	This organization's sales are increasing.
Individual Performance Items	
1.	My individual performance has improved significantly during the last year.
2.	The individual performance of my co-workers has improved significantly during the last year.
Job Satisfaction Items	
1.	I am satisfied with my job.
2.	My co-workers are satisfied with their jobs.
Attendance/Absenteeism Items	
1.	I seldom find it necessary to be absent from my job.
2.	My co-workers seldom find it necessary to be absent from their jobs.
Tenure/Turnover Item	
1.	The turnover rate within this organization is relatively low.

Allied Academies

invites you to check our website at

www.alliedacademies.org

for information concerning

conferences and submission instructions

Allied Academies

invites you to check our website at

www.alliedacademies.org

for information concerning

conferences and submission instructions