



**Specialized conference of the EuroMed Academy of Business**

**HR PRACTICES, STRATEGIC AND ENTREPRENEURIAL CHALLENGES:**  
*Academic and Practitioners Views*

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## CONFERENCE BOOK OF PROCEEDINGS

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### **HR PRACTICES, STRATEGIC AND ENTREPRENEURIAL CHALLENGES:** *Academic and Practitioners Views*

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# INTRODUCTION

This specialised conference of the EuroMed Academy of Business aims to provide a unique forum and facilitate the exchange of cutting-edge information on examining and building new theory and business models in the areas of HR practices and entrepreneurial challenges.

Many people and organizations are responsible for the successful outcome of this specialized conference of the EuroMed Academy of Business.

Special thanks go to the Conference Chair Prof. Hela CHEBBI, the Conference Organising Committee and EDC Paris Business School, for accomplishing an excellent job.

It is acknowledged that a successful conference could not be possible without the special co-operation and care of the Reviewers for evaluating the papers and abstracts that were submitted to this conference. Special thanks to the Session Chairs and Paper Discussants for taking the extra time to make this conference a real success.

The last but not the least important acknowledgment goes to all those who submitted and presented their work at the conference. Their valuable research has highly contributed to the continuous success of the conference.

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# **BOOK OF CONFERENCE PROCEEDINGS**



# **IMPROVING SELF-PERCEPTION OF ENTREPRENEURIAL COMPETENCIES AMONG THE ENTREPRENEURS: DOES ENTREPRENEURIAL ACCOMPANYING PLAY A MAJOR ROLE? STUDY OF RESEAU ENTREPRENDRE CASE**

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## **Abstract**

Loué et al. (2008) argue that research on entrepreneurial competencies (EC) remains relatively "immature" and that none of them has yet crossed the step qualified as "operative", namely; the formalization of a stable tool aimed at positioning, assessing or self-assessing competencies.

Faced with the lack of both theoretical and practical information, the research topic bears importance for both business support structures and the economic actors. Based on our conviction that in the accompanying practice field, the consideration of the "competence" concept offers a new opportunity to place professional support practices at the heart of entrepreneurship development (Toutain and Fayolle 2008) and thus ensure the performance of entrepreneurial activities undertaken by entrepreneurs, our research aims to fill this gap and puts a focus on the general question of the EC's development in the business support structures.

The research paper presented here focuses on the issue of business accompanying in reference to competencies development. Our central hypothesis is that entrepreneurial support facilitates, accelerates and perhaps even determines the development of the EC. Given the scope and difficulty of the topic, we have chosen to focus the research on the self-perception and the entrepreneur's beliefs on their ability to improve EC.

***Keywords: Perception - Entrepreneurial Competencies (EC) – New Business Support Structures - Entrepreneurial Support - Entrepreneurial Self-effectiveness - Self-awareness of EC –Beliefs on abilities to improve EC.***

## Introduction

Starting a new business requires beliefs and convictions. Such a project requires rigor, patience, and especially a large dose of determination and confidence in our skills and abilities. It is a personal investment that engages several aspects at the same time; the personal aspect (personality traits), the professional aspect and the social aspect. To start a business, we must first and above all, believe that it is possible. Then, we must be aware of the difficulties and finally decide to overcome them (Gambu and Le Hir, 2001).

Throughout the whole entrepreneurial process, the entrepreneur often has a blurred perception of his surroundings, his capabilities and resources, aspirations or goals (Bruyat, 2001). The role of the accompanist is to help the entrepreneur to better perceive and develop his skills and abilities by promoting all the required elements.

According to Cuzin and Fayolle (2004), "*The accompanying process is a process by which the entrepreneur will perform multiple learning and gain access to resources or develop the required competencies to the implementation of his project*". Based on this definition, we recognize that a business support structure is as a place where learning is accelerated by providing time and place where the entrepreneur can focus on not only the development of his project but also on his EC to complete successfully his project.

The issue of the entrepreneurs' competence and skills development can be combined with the research topic on the effectiveness of business support structures to form a broad issue which accompanying professionals currently face.

However, despite the attention paid to accompanying and business support structures for their important contribution to improving entrepreneurs' performance and the activities they perform, it must be acknowledged that these structures and their accompanying methods and techniques for developing EC have caused little interest among the researchers in the field of entrepreneurship.

Similarly, it seems essential to draw a particular attention to the lack of research taking into account the psychological dimensions of the entrepreneur in the accompanying process. Indeed, accompanying practices have been evaluated based primarily on technical tools they use and that are centered on the provision of the physical resources, the realization of a business plan, a successful completion of administrative procedures and the delivery of good accompanying services.

Another important dimension that should be emphasized and which complements and reinforces the earlier idea is the absence, in the literature, of research analyzing the impact of entrepreneurs' self-perception of EC on their level of entrepreneurial performance (Murphy and Young 1996). Thus, on the basis of these elements, it seems to be essential to take into account the perceptions of entrepreneurs and the development of EC at the heart of accompanying practices.

Therefore, the objective of our research is to develop a better understanding of new firm creation in general, the control of entrepreneurial processes and the dynamics that the entrepreneur impels as part of his accompaniment.

In this research, we focused our interest on the concept of EC in order to reposition the relationship accompanist / entrepreneur at the center of the accompanying process. We have implemented a research focused on the analysis of the self-perception of EC among accompanied nascent entrepreneurs. Therefore, the issue raised in this research is to find out to what extent a post creation accompanying structure contributes to the improvement of the entrepreneurs' self-perception of their EC?

To validate our research hypotheses, we opted for a quantitative and longitudinal study. In order to obtain practical input and collect the maximum number of statistical data, our study was performed as part of a partnership between the Research Center in Entrepreneurship of EM Lyon Business School (CRE) and Réseau Entreprendre<sup>®</sup> in France (RE<sup>®</sup>). We administered twice and with 8-month intervals with the same questionnaire to entrepreneurs of the Réseau Entreprendre<sup>®</sup> network. The first series of questionnaires was launched at the end of February 2012 and the second series at the end of October 2012. To achieve the analytical treatment, we used the approach of linear regressions with SPSS.11 software to test the nature of relationships between key variables of our study.

To answer to our issue which falls under the impact of entrepreneurial support on improving their perceptions of entrepreneurs CE, two parts are mobilized in this paper: a theoretical and empirical part. In the first theoretical part we will examine literature around accompanying and entrepreneurial competencies in order to define the key concepts in relation to our research question. In the second empirical part, we will present and discuss the statistical results of our research.

## **Theoretical Framework: Entrepreneurial Accompanying And Development Of Self-Perception Of Entrepreneurial Competencies: Towards A New Perspective Of A Psychology-Based Accompanying Of The Entrepreneur**

### *Entrepreneurial Accompanying: main definitions of the concept*

Entrepreneurship, especially innovative technology is so complex that it requires a specific and targeted support and in this respect entrepreneurial accompanying is a key success factor. Being surrounded by experts and professionals, to benefit from their experiences, advice and assistance are conditions that allow the future business creator to properly prepare and launch the project under the best conditions so as to ensure its success.

Accompanying is a research topic in the "hardening" phase (Stengers, 1987). The number of scientific articles on the subject is still relatively small but rapidly evolving (Valeau, 2006). Indeed, the theme of entrepreneurial accompanying is increasingly studied by many researchers (Valeau, 2006 Messeghem and Verstraete, 2009) have attempted to identify and define it. Accompanying is a profession that requires, according Fayolle (2004) sound knowledge and diverse competencies. For successful accompanying and to teach the entrepreneur his job, the accompanist must have certain qualities. The most important qualities, according to Fayolle (2004), seem to be: active listening, empathy and teaching skills.

Leger-Jarniou (2005) state that accompanying is a process of "transitioning" a person from one state to another, or to influence the entrepreneur to take decisions. It aims to make the entrepreneur independent and accompanying should in no way substitute the entrepreneur. The objective is to support a person (or team) carrying an idea to mature this idea in a way that gives rise to a viable business creation project.

Accompanying may be considered according Barès (2004) from the concept of "support network" able to develop a specific skills for business creation projects, that is to say an ability to intervene in all aspects of a project, without isolating the legal, commercial, financial and social [...] aspects and to accompany the newly created company.

Dokou, Gasse, Abiassi and Truck (2004) define entrepreneurial accompanying as a set of practices to aim to fill strategic gaps of SMEs. They study the accompanying influence in the monitoring of the environment, the access to local resources, in risk management in relation to entrepreneurial performance.

Sammut (2003a; 2003b) addresses some issues related to the accompaniment. The author is particularly interested in the learning process, according to her, characterizing the accompanying process. During the accompanying the entrepreneur can access information and knowledge that can be mobilized in action and the development of his business creation project. Sammut present accompanying as a path to independence for the entrepreneur. The real bet of accompaniment is to ensure that the entrepreneur learns to his job as business manager without the accompanist.

Beyond the learning aspect, other elements emerge from the Sammut research work. As far as the accompanist is concerned, she considers that, while being a specialist of young small companies and in creation, the entrepreneur must also be sufficiently a “generalist” to deal with all reported or latent problems. Finally, she stresses the importance of the temporal dimension by clearly emphasizing accompanying as a long term approach.

Definitions of entrepreneurial accompanying are numerous, but all share a number of characteristics: the duration and the time perspective, the frequency of relations between entrepreneur and accompanist and regular meetings, the uniqueness of the relationship, the close relationship that is established, the necessary adjustment to the singularity of each specific situation in together, transformation or change in behavior or attitude that the entrepreneur seeks and to which the accompanist will contribute and finally the place of reflection with regard to the entrepreneurial actions taking place (Ben Mahmoud-Jouini, Paris and Office 2010).

To attempt to better understand the concept of business creation accompanying is necessary, but is not enough given the diversity of practices. Accompaniment often appears multiple and multifaceted, so much so that some authors use to qualify accompanying as "nebula" or "maze".

*Entrepreneurial accompanying: new business sustainability factor*

The fragility of young companies is unanimously recognized (Berger - Sweet, 2005). Thus, despite everything, it appears that the creation and start-up time is still characterized by too many failures (Barès, 2004). Beyond an understandable reluctance on the part of the concerned entrepreneurs, the causes of the failure are often difficult to identify because many unfavorable factors accumulate and are self-sustaining (Sammut, 1998). However, the facts show that the lack of own resources is one of the most frequently cited cause of the disappearance of young companies (Zhao and Aram, 1995; INSEE, 2000). Indeed, according to Zhao and Aram (1995) "small and new businesses lack the resources [...]. The task of a

young firm and a measure of its success is to evolve from an organization with a lack of resources to a resource-rich organization." The resources that are lacking are varied in nature since they relate, amongst others, to capital, technology, managerial and operational competencies, consumers, networking or even the media (Aldrich and Fiol, 1994).

Referring to a series of studies, Julien (2003) lists the structural and economic variables necessary for the survival of new businesses namely: demand, quality and variety of labor or the presence of "complementary" resources such as infrastructure, funding sources, business services including consulting and a favorable environment to develop business ideas including the accompanying structures.

As a consequence the accompanying practice appears to be an important factor for new business success. Indeed, entrepreneurial accompanying practices are intended not only to fill strategic gaps of SMEs (Dokou, Gasse, Abiassi and Truck, 2004), to mobilize a set of resources: information, money supply, consulting, and technology to strengthen the creative energy of entrepreneurs (Albert, Fayolle and Marion, 1994), to identify and develop entrepreneurial opportunities (Barès, Chelly, Levy-Tadjine, 2004), but also to develop a learning ability (Dokou, 2001; Fayolle, 2002, 2004).

We will try to go further below by presenting an analytical framework that should allow a better understanding of the concept of entrepreneurial competence and self-perception by entrepreneurs.

### *Self-perception of Entrepreneurial Competencies (EC)*

#### *Definition of the EC concept*

The concept of EC reflects the performance of an individual (Hoffmann, 1999; Draganidis and Mentzas 2006). Originally, the concept of competencies has been used in the field of education to describe the behavior of students and teachers (Bowden and Masters, 1993). It became well known in the field of management through the work of Boyatzis (1982). It is from there that the competencies studies have experienced a growth in terms of volume.

Parry (1998) argues that the birth and development of the competencies approach is rooted in the need to identify and define the characteristics of successful managers. This approach is based on the assumption that managers can be trained and progress along these lines (Burgoyne, 1993 and Parry, 1998).

To admit the existence of EC means recognizing that competences have significant value to the entrepreneurs. The concept of competence has, from the 60s, gradually applied to Human Resource practices, including the evaluation and recruitment of employees. The usual

meaning of the competence concept is the *"recognition of an individual to the particular way to combine resources to deal with complex problems and situations"* (Praise et al. 2008).

Bird (1995, p 51) defines EC as *"underlying characteristics such as generic and specific knowledge, motives, traits, self-images, social roles and competencies that lead to the creation of a company, its survival and / or growth. The EC are of course owned by individuals who are entrepreneurs that start or transform organizations and add value through their organization's resources and opportunities."*

In his work, Bird (1995) joined the idea of managerial competencies researchers (especially Boyatzis (1982)) when she emphasizes the importance of distinguishing between a skill that contributes to performance excellence and skills regarded as a minimum standard, a reference or threshold. It suggests that the competencies needed to start a business, implementing a business idea or plan can be designed according to most entrepreneurial studies as a "reference" and that the most effective entrepreneurs are those that go beyond this reference to engage in organizations that survive and evolve.

What also seems to us of additional importance is the fact that competencies can be learned. Thus, recognizing the importance of competencies and their identification is crucial for educators and the development of learning opportunities (Mitchelmore and Rowley, 2010). It is in this sense that Muzychenko and Sae (2004) have argued that there is a difference between an "innate" and "acquired" competence. The first concerns the traits, attitudes, self-image and social role, while the second concerns the components acquired through work or through a theoretical or practical learning (ex. capacity, knowledge and the experience). When we talk about "innate" competencies we sometimes refer to "internalized elements" (Bartlett and Ghoshal, 1997), whereas "acquired" competencies often refer to "exteriorized elements" (Muzychenko and Sae, 2004). Internalized aspects of competencies are difficult to change and on the contrary exteriorized elements can be acquired through adapted training and education programs and, in addition, they need to be practiced (Garavan and McGuire, 2001; Man and Lau, 2005, in Hazlina Ahmad, 2007).

The EC are considered by Man et al. (2002) as *"high-level features including personality traits, abilities and knowledge, and therefore can be seen as the total capacity of the entrepreneur to successfully perform the roles in his work."* These competencies are therefore connected to the result of work or business performance (McClelland, 1987; Chandler and Jansen, 1992; Chandler and Hanks, 1994; Baum, 1995). There is a general consensus that the

EC are owned by individuals who engage and transform businesses. (Mitchelmore and Rowley, 2010).

Johnson and Winterton (1999) note that the abilities and competencies required to run a small business are different, both qualitatively and quantitatively, from those needed in large organizations. This is especially true in the context of entrepreneurship because the focus is more on the individual (Hunt and Meech, 1991).

Given that entrepreneurs perform both the owner and manager roles, this leads us to believe that the scope of EC is wider than that of managerial competencies (Chandler and Hanks, 1994; Johnson and Winterton, 1999; Lau et al . 2000). Johnson and Winterton (1999) support the idea that it is difficult to analyze the activities carried out by entrepreneurs as purely administrative or managerial activities and purely entrepreneurial activities. The term EC should refer to both the entrepreneurial and managerial competencies (Nakhata, 2007).

Throughout our study, we will refer to the definition and model of EC proposed by Man et al. (2002). Based on previous empirical studies, the authors distinguish six main areas of EC: competencies related to the opportunity, relational competencies, conceptual competencies, organizational competencies, strategic competencies and competences of commitment.

The following table summarizes these different competencies and some behaviors which can be evaluated each skill.

Areas of competence	Definitions by Man et al (2002: p 132)	Examples of behavior	Underlying dimensions
<b>Opportunity related competencies</b>	Competencies related to the identification and development of market opportunities in different ways.	Identify, assess and look for business opportunities.	Dynamic search Vigilance
<b>Relationship competencies</b>	Competencies related to interactions between two people or one person and a group.	Build relationships and networks, communicate, negotiate, effective conflict management.	Teamwork Social perception Negotiation
<b>Conceptual competencies</b>	Competencies related to the different conceptual abilities reflected in the behavior of the entrepreneur.	Thinking intuitively and quickly when making decisions, see different angles, innovate and estimate risk.	Troubleshooter Judgment Analysis
<b>Organizational competencies</b>	Competencies related to the organization of different internal, external, human, material, financial and technological resources.	Plan, organize, manage, motivate, delegate and control.	Personnel Management Planning and Organization



<b>Strategic competencies</b>	Competencies related to the determination, assessment and implementation of business strategies.	Set a vision and ambitious but achievable business goals, design strategies to achieve goals, diagnose the effectiveness of strategies and take corrective action if necessary, make strategic changes and use tactics in business.	Result orientation Strategic orientation Vision
<b>Commitment competencies</b>	Competencies that drive entrepreneurs move forward in their business.	Maintain the effort to commit to long-term goals, commit to personal goals and start over after a failure	Learning Orientation Self-management

Table 1. *EC identified by Man et al. (2002)*

*EC Development Issues*

Research into skill, talent and personal ability development is not a recent issue. It has been a subject of active and popular research since the 1970s. Indeed, during this century, the development of managers and executives received much attention and has become a preoccupation (Boyatzis et al. 1996). This attention was mainly focused on the use of competencies to manage and implement changes (Mulder, 2001). Nyhan, 1998 sees a competency as a strategic management tool to deal with the current environment.

More recently the view was taken that competencies should be understood not only as a set of behaviors but also as a set of attributes that enable the achievement of superior performance. Competencies development should therefore be targeted to the underlying competencies rather than on the behavioral level (Hackett, 2001). According to this view, skill development aims to broaden the ability of a person to act effectively in a variety of situations by helping that person to acquire additional skills applicable to achieve the performance of several tasks (Ley and al. 2005).

New competencies need to be developed when a person enters a new situation in which the action is not predetermined or when the person is confronted with demands of the new task (Ley et al. 2005). Similarly, learning from realized results or receiving feedback from a more experienced person contributes to the improvement and development of skills. This idea was supported by a large body of research showing the importance and role of learning in the development of EC.

We firmly believe that the concept of learning cannot be separated from that of competencies. Indeed, learning seems, intuitively, a natural starting point for any discussion on competencies. Recall, to draw an example, the work of Prahalad and Hamel (1990) who were the first to introduce the concept of "core competencies" (key competencies) (Drejer, 2000). These authors even claim that "the key competencies (or core) are the collective learning in

the organization, in particular the way in which the various competencies associated with the production and multiple related technologies streams are coordinated” (Prahalad and Hamel, 1990).

This is also in line with the idea proposed more recently by Boyatzis, Stubbs and Taylor (2002). They state that the development of complex competencies is possible through the application of Intentional Change Theory (ICT). In their work, the authors stress the importance of learning as well as its environment during the process of change. In particular, the possible role and effectiveness of goal setting in the development process (Leonard, 2008).

Similar reasoning is noted in the work of Lans (2009). Based on the conclusion of Maurer (2002), namely the absence in the proposed EC definition of an explicit precision of a theory or a learning model that can be used to describe and explain the development of EC Lans has used in his thesis, the general format of 3P<sup>1</sup> learning (Presage, Process and Product) developed by Biggs (1993).

#### *Self-perception of EC*

In terms of business creation, perceptions and other cognitive factors play an essential role. Several researchers have developed models based on the intention to elucidate the cognitive elements that determine the development of entrepreneurial intention among individuals (Bird, 1988; Shapero and Sokol, 1982; Shook, Priem and McGee, 2003). While different empirical studies have linked several factors of perception and attitude of entrepreneurial intentions, the link with future entrepreneurial activities has not yet been established empirically (Shook et al. 2003).

In order to address this topic, our research explores a field of psychological literature focusing on the perception of the EC and the role it plays in shaping behavior and thus the actions of the nascent entrepreneur during the entrepreneurial process.

To return to the definition of perception, some see it as a process by which individuals organize and interpret their sensory impressions in order to make sense of their environment. However, what we perceive can be significantly different from objective reality. Although

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<sup>1</sup> 3P model Biggs (1993) is based on a classification into three groups of factors that intend to represent the most important elements related to learning. Group 1: Presage (Compound factors related to the individual and the work environment), Group 2: Process (comprised of learning-related activities), Group 3: Product (composed of the results in terms of skills developed and company performance).

this is not always necessary, there is often disagreement (Robbins and Judge, 2009). Confronted with different situations, people act based on several factors including, beliefs, intentions or motivations. Our perception and judgment on the actions of others are significantly influenced by the assumptions we make about the person's internal state (Robbins and Judge, 2009).

There is no doubt that perceptions of people dominate their thoughts and behavior as human beings (Robbins and Judge, 2009). Perceptions and other cognitive factors play an important role in the discovery and entrepreneurial creation (Mitchell et al 2002. Edelman and Yli-Renko, 2010; Baron, 1998; Allinson, Chell and Hayes, 2000). As defined by Mitchell et al. (2002) *"entrepreneurial cognitions are knowledge structures that people use to make assessments, judgments or decisions including evaluation of an opportunity, creating a business and growth."*

Kruger (2003) states that the most important contribution that cognitive science provides the researcher in entrepreneurship is that we understand the reality not directly but through several perception lenses. That is to say; our brains capture external phenomena through our perception process.

A research evidence suggests that growth is a very complex process for both mature businesses and new businesses (Smallbone et al. 1995). To be successful and achieve high profit levels, business creators must see themselves competent. They must express their highest levels of entrepreneurial, managerial and technical-functional competencies (Chandler and Jansen, 1992). To do so, they must engage in all kinds of activities allowing them to adapt to their new roles and acquire the necessary competencies. In other words, if the entrepreneur is not aware of his current situation and is not motivated to engage in activities aimed at developing competencies, small business will be vulnerable to changes in the market, competition and technological and societal demands (Lans, 2009).

### **Development Of The Assumptions And Proposed A Conceptual Model**

The aim of our research is to develop a better understanding of the impact of entrepreneurial accompanying on improving self-perception by entrepreneurs of their EC.

Through extensive literature review, we examined and defined the key concepts that guide our research question. The analysis of the literature allowed us to base our thinking on many existing findings in previous studies.

The lack of research examining the impact of entrepreneurial accompanying on improving self-perception by entrepreneurs of their EC accentuates our interest to investigate this

relationship. Thus, a series of research hypotheses have been formulated and a conceptual model linking our key variables was developed.

#### *Working hypotheses*

As we have previously pointed out, many authors in the field of entrepreneurship are emphasizing the importance of accompanying in the process of creating new businesses and its predominance as a tool for the promotion and development of EC among entrepreneurs. Perceived by researchers as a place for development of entrepreneurial talent, the accompanying structures provide complementary services in the design phase for the support and promotion of competencies and entrepreneur's expertise when the company demonstrates its biggest vulnerability to market uncertainties (Smilor and Gill, 1986; Rice and Matthews, 1995; Lalkaka, 2002; McAdam and Marlow, 2007). In this context, the entrepreneur will find himself in a favorable position to realization the business project. Accompaniment thus appears as a way to develop the EC (Cuzin and Fayolle, 2004).

Therefore, as defined by Bird (1995), the EC covers a number of generic and specific competencies such as motivation, personality traits, self-image, social roles and competencies that will contribute to the birth a business, for its survival and / or growth.

The perception of the entrepreneur's own competencies plays an important role in entrepreneurial action (Mitchell et al 2002. Baron, 1998; Allinson, Chell and Hayes, 2000). According to Lans (2009), two essential factors influence this perception and, therefore, the decision to develop: namely self-awareness of current EC and belief about the possibility of improving them in the future. In other words, if the entrepreneur is not aware of his current situation and is not motivated to engage in activities aimed at developing competencies, small business will be vulnerable to changes in the market, competition and technological and societal demands (Lans, 2009).

Assuming that accompanying plays a critical role in the development of EC among entrepreneurs and that to succeed, entrepreneurs must be able to perceive early on their competencies and be aware of their ability to develop these entrepreneurial competencies, we can develop the hypothesis that accompanying helps entrepreneurs to improve their perceptions of their EC and their sense of entrepreneurial self-effectiveness. This leads us to formulate the main research hypotheses H1, H2, H3 (and their underlying assumptions) connecting the variable of entrepreneurial accompaniment with the dependent variables; namely: 1) the self-awareness of the EC (H1), 2) EC improvement beliefs (H2) and 3) the entrepreneurial self-effectiveness (H 3).

**H1:** Entrepreneurial accompanying affects significantly entrepreneurs' self-awareness of their entrepreneurial competences (EC).

H1 will be declined in six underlying assumptions based on the six types of EC defined by Man et al. 2002:

- H1.1: Entrepreneurial accompanying positively affects entrepreneurs' self-awareness in their conceptual competencies
- H1.2: Entrepreneurial accompanying positively affects entrepreneurs' self-awareness in their relational competencies
- H1.3: Entrepreneurial accompanying positively affects entrepreneurs' self-awareness organizational competencies
- H1.4: Entrepreneurial accompanying positively affects entrepreneurs' self-awareness in their strategic competencies
- H1.5: Entrepreneurial accompanying positively affects entrepreneurs' self-awareness in their commitment competencies
- H1.6: Entrepreneurial accompanying positively affects entrepreneurs' self-awareness in their opportunity related competencies

**H2:** Entrepreneurial accompanying affects significantly the beliefs of entrepreneurs about the opportunity to improve their entrepreneurial competences (EC).

H2 will be declined in six underlying assumptions based on the six types of EC defined by Man et al. 2002:

- H2.1: Entrepreneurial accompanying positively affects the entrepreneurs' improvement beliefs of their conceptual competencies
- H2.2: Entrepreneurial accompanying positively affects the entrepreneurs' improvement beliefs of their relational competencies
- H2.3: Entrepreneurial accompanying positively affects the entrepreneurs' improvement beliefs of their organizational competencies
- H2.4: Entrepreneurial accompanying positively affects the entrepreneurs' improvement beliefs of their strategic competencies
- H2.5: Entrepreneurial accompanying positively affects the entrepreneurs' improvement beliefs of their commitment competencies

- H2.6: Entrepreneurial accompanying positively affects the entrepreneurs' improvement beliefs of their opportunity related competencies

**H3:** Entrepreneurial accompanying positively affects the feeling of entrepreneurial self-effectiveness among accompanied entrepreneurs.

*Proposal of a conceptual research model*

We present below our conceptual model linking the independent variable namely, entrepreneurial accompanying, to the three dependent variables: 1) the self-awareness of the EC, 2) EC improvement beliefs and 3) entrepreneurial self-efficacy.

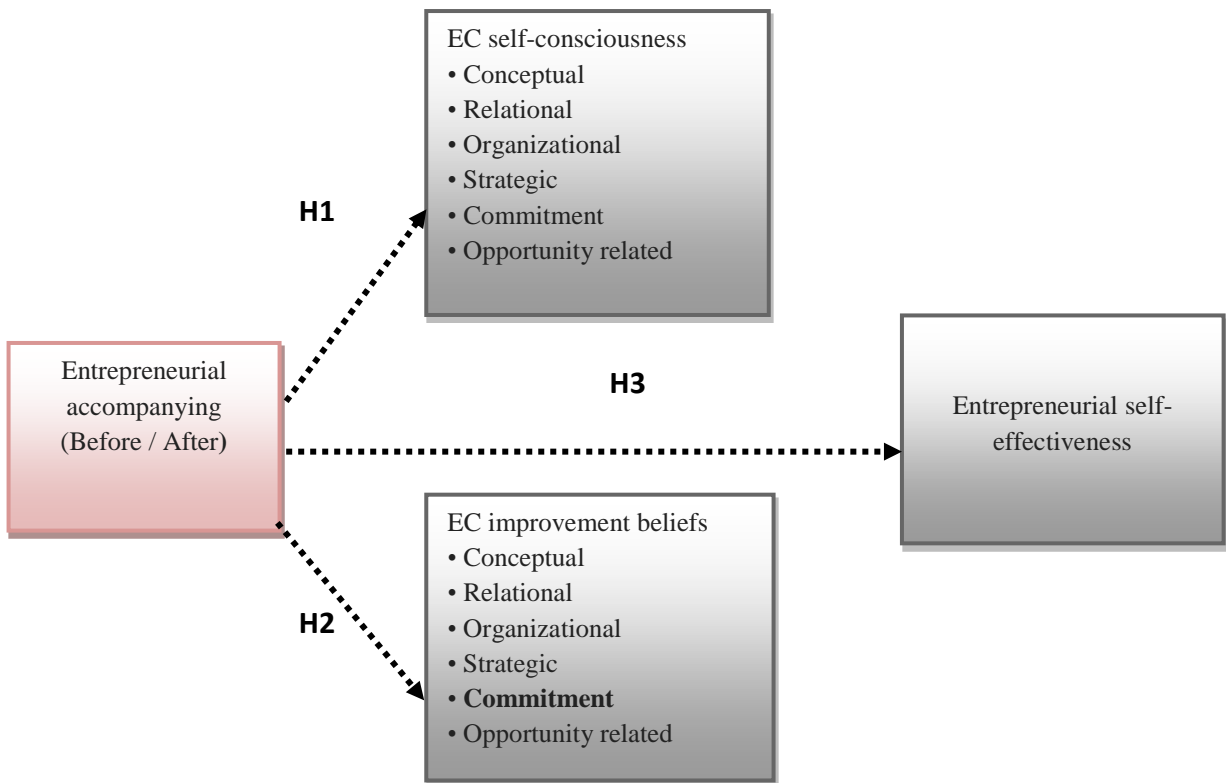


Figure 1. *Conceptual Research Model*

## Empirical Approach And Data Collection

### *Field and study population*

Based on the context of company creations in accompanying networks, we paid particular attention to cases of entrepreneurs accompanied in the post-creation phase, which has guided

our choice to the "Réseau Entreprendre®" network. Our approach is the study of the entrepreneurial competencies development process within this accompanying network. We have based our research methodology on the Man et al (2002) analysis of entrepreneurial competencies developed during accompanying. Using a longitudinal study that spread over about a year, we have focused our attention on the 2011 entrepreneurs ("Lauréats") of the "Réseau Entreprendre®" network. We opted for a quantitative approach using a questionnaire sent to hundreds of recipients at different times of the covered research period. Our choice to perform a longitudinal study based on quantitative data is motivated primarily by our research question and the relationships we seek to test between the variables in our model. Indeed, our aim is to compare entrepreneurs' self-awareness of their EC between two distinct periods; at the beginning of entrepreneurial accompanying (new project or new admission entrepreneur to accompanying network) and eight months later, in order to trace the observed evolution and to infer the impact of entrepreneurial accompanying. The research approach aims to obtain a better understanding of the key underlying factors in the development of the entrepreneurs' self-perception of their entrepreneurial competencies.

Our research approach and data collection methods are closely related. In order to access the field data and collect the maximum amount of information, our study was performed as part of a partnership between the Entrepreneurship Research Center of EM Lyon Business School (CRE) and the "Réseau Entreprendre®" network. We conducted a longitudinal study in which we administered twice and 8 months apart on the same questionnaire to 2011 entrepreneurs ("Lauréats") of the "Réseau Entreprendre®" network in 39 member organizations including 38 in France and one association abroad (the Guyana). The first series of the questionnaires was launched at the end of February 2012 and targeted 685 entrepreneurs in the "Réseau Entreprendre®" network, the second series of questionnaires was launched towards the end of October 2012 and targeted 276 entrepreneurs (because only respondents to the first survey were solicited for a follow up study). The survey summary details are presented in the following table:

Target Population	<b>2011 entrepreneurs Réseau Entreprendre network</b>
Selection Criteria	Promotion 2011 or the date of the 2011 committee
Sample size	685 (in 42 RE® associations)
Date of first administration	February 29, 2012

No. of responses from the first administration	276 responses (response rate $\approx$ 42%)
Date of the second administration	October 28, 2012 (8 months later)
No. of responses from the second administration	171 responses (response rate $\approx$ 62%)

Table 2: *Survey Summary*

### *Measurement of variables*

#### *Measuring the Self-awareness of the EC*

The self-awareness of entrepreneurs of their entrepreneurial competencies is a key determinant of their behavior and level of entrepreneurial performance (Fishbein and Ajzen, 1975). Many authors believe that self-awareness is one of the most difficult competencies to judge by others (Wohlers and London, 1989).

To elaborate a measure of the entrepreneurial competencies self-awareness requires in the first instance, that we can identify and define entrepreneurial competencies that an entrepreneur must master. Our choice of entrepreneurial competencies focused on the work of Lans (2009) as part of his doctoral research entitled "Entrepreneurial competence in agriculture," whose results were published a year later (in 2010) in the journal: Human Resource Development Quarterly. Based on the typology Man et al. (2002), Lans (2009) defined a list of 21 entrepreneurial competencies<sup>2</sup>.

The evaluation of the self-awareness entrepreneurs in their entrepreneurial competencies is therefore measured as follows: for each of the twenty-one entrepreneurial competencies we evaluated the self-awareness on a 5 point Likert scale. More specifically, for each EC the 2011 entrepreneurs of the Réseau Entreprendre<sup>®</sup> network were asked the following question: how do you control this competence today? With 1 "I do not control," 2 "I control a bit," 3 "I control moderately", 4 "I master well," 5 "I master perfectly".

#### *Measuring the improvement beliefs of EC*

The prediction of human behavior and entrepreneurial performance is certainly based on the self-awareness of the individual, but more importantly, the beliefs that guide its intentions (Fishbein and Ajzen, 1975). The behaviors of the human being are influenced by their perceptions of the opportunities to develop and improve specific competencies.

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<sup>2</sup> We found and translated this list from Paper Man et al. (2002) entitled "The competitiveness of small and medium enterprises, A conceptualization with focus on entrepreneurial Competencies", published in the Journal of Business Venturing. 17 (2): 123-142.



The evaluation of the improvement beliefs of entrepreneurial competencies is therefore measured as follows: for each of the twenty-one entrepreneurial competencies we evaluated the self-awareness on a 5 point Likert scale. More specifically, for each EC the 2011 entrepreneurs of the Réseau Entreprendre<sup>®</sup> network were asked the following question: how do you think you can improve this skill in the next five years? With 1 "I cannot improve that skill," 2 "I can slightly improve this skill," 3 "I can moderately improve this skill," 4 "I can considerably improve this skill," 5 "I can become an expert in this competence ".

*Measuring entrepreneurial self-effectiveness*

As defined by Bandura (1977, 1997, 2003), feelings of self-effectiveness is the belief that an individual has in the ability to produce or not a task Bandura. The greater the sense of self-effectiveness, the more a person imposes ambitious goals and the higher the commitment in their pursuit (Bandura, 1982, 1993). Seen as a key antecedent for entrepreneurship, entrepreneurial self-effectiveness (EEA) is one of the most important elements for success starting a new business (Lucas and Cooper, 2004).

We have chosen the measurement scale that was used to operationalize the variable related to entrepreneurial self-effectiveness based on the work of Wilson et al. (2007) published in *Entrepreneurship: Theory & Practice* (Vol 31, Issue 3.). The authors have developed a series of 6 criteria based on interviews conducted by experts with business leaders (Marlino and Wilson, 2003). In their study, respondents were asked to compare themselves to “successful” peers in specific areas of expertise. These criteria include: the ability to solve problems, decision making, financial management, creativity, the ability to convince people and leadership. The evaluation of the entrepreneurial self-effectiveness is therefore measured as follows: for each of the six criteria we asked respondents to evaluate their level of entrepreneurial self-effectiveness on a Likert scale of 5 points; 1 = Strongly incapable, 2 = incapable, 3 = Moderately capable, 4 = Fairly capable and 5 = Strongly capable of.

The table below summarizes the various measures of the variables in our model.

Main variable	Sub variable	Number of items	Reference
Self-awareness of the EC (21 items)  Likert scale 5 points	Self-awareness of conceptual competencies	<b>4</b>	
	Self-awareness of relationship competencies	<b>5</b>	

<p>1 = "I do not control"</p> <p>2 = "I control bit"</p> <p>3 = "I control moderately"</p> <p>4 = "I master well"</p> <p>5 = "I master perfectly."</p>	Self-awareness of organizational competencies	4	<p><i>Lans (2009) et Man et al, (2002)</i></p>
	Self-awareness strategic competencies	3	
	Self-awareness of commitment competencies	2	
	Self-awareness of opportunity related competencies	3	
<p>EC Improvement beliefs (21 items), Likert 5-point scale</p> <p>1 = "I cannot improve that skill"</p> <p>2 = "I can slightly improve this skill"</p> <p>3 = "I can moderately improve this skill"</p> <p>4 = "I can considerably improve this skill"</p> <p>5 = "I can become an expert in this skill."</p>	Beliefs improving conceptual competencies	4	<p><i>Lans (2009) et Man et al, (2002)</i></p>
	Beliefs improving interpersonal competencies	5	
	Beliefs improving organizational competencies	4	
	Beliefs improving strategic competencies	3	
	Beliefs improving commitment competencies	2	
	Beliefs improvement opportunity related competencies	3	
<p>Entrepreneurial self-effectiveness (6 items), Likert 5-point scale</p> <p>1 = Strongly incapable,</p> <p>2 = Incapable</p> <p>3 = Moderately capable</p> <p>4 = Fairly capable and</p> <p>5 = Strongly capable of.</p>	Entrepreneurial self-effectiveness	6	<p><i>Wilson et al (2007) et Marlino et Wilson, (2003)</i></p>

Table 3. Summary of measures used to model variables

## Research Results

### *Effect of Entrepreneurial Accompanying on entrepreneurs' self-Awareness of their EC (H1)*

At this level, we seek to test the hypothesis H1 entrepreneurial accompanying affects significantly entrepreneurs' self-awareness of their entrepreneurial competences (EC). More specifically, we tested the underlying assumptions: H1.1, H1.2, H1.3, H1.4, H1.5 and H1.6 linking entrepreneurial accompanying respectively with each of the six categories of the EC defined above. For this, we conducted a series of six linear regression models. In each model, the dependent variable is the self-awareness of one of the six categories of the EC.

- **Impact of Entrepreneurial Accompanying on the self-awareness of Conceptual Competencies (H1.1: Model 1)**

The results of statistical analysis showed no significant effect of entrepreneurial accompanying on the self-awareness conceptual competencies ( $F = 1.177$ ,  $p > 0.10$ ). We rejected the hypothesis H1.1 that entrepreneurial accompanying positively affects the self-awareness of entrepreneurs in their conceptual competencies.

- **Impact of Entrepreneurial Accompanying on the self-awareness of Relational Competencies (H1.2: Model 2)**

The statistical results indicate that the regression model is statistically not significant ( $F = 1.148$ ,  $p > 0.10$ ). The self-awareness of relationship competencies is therefore not linked to the entrepreneurial accompanying. The hypothesis H1.2 that entrepreneurial accompanying positively affects entrepreneurs' self-awareness in their relational competencies is refuted.

- **Impact of Entrepreneurial Accompanying on the self-awareness of Organizational Competencies (H1.3: Model 3)**

The results showed that the explanatory multiple linear regression model of the self-awareness organizational competencies based on entrepreneurial accompanying experience is not statistically significant ( $F = 1.010$ ,  $p > 0.10$ ). Therefore, the accompanying experiences the entrepreneur has received in the Réseau Entreprendre<sup>®</sup> network has no effect on his self-awareness of organizational competencies. We therefore reject the hypothesis H1.3 that entrepreneurial accompanying positively affects self-awareness entrepreneurs' organizational competencies.

- **Impact of Entrepreneurial Accompanying on the self-awareness of Strategic Competencies (H1.4: Model 4)**

The statistical results show that the explanatory multiple linear regression model of the entrepreneurs' self-awareness of strategic competencies based on entrepreneurial accompanying is statistically significant ( $F = 1.797$ ,  $p < 0.10$ ,  $R^2 = 21.5\%$ ). The table of regression coefficients shows that entrepreneurial accompanying has a significant negative impact on the self-awareness entrepreneurs in their strategic competencies ( $\beta = -0.285$ ,  $p < 0.1$ ). Thus, we rejected the hypothesis H1.4 that entrepreneurial accompanying positively affects self-awareness entrepreneurs in their strategic competencies.

▪ **Impact of Entrepreneurial Accompanying on the self-awareness of the Commitment competencies (H1.5: Model 5)**

Our results showed that the regression model is not statistically significant ( $F = 1.189$ ,  $p > 0.10$ ). However, statistical analysis of regression coefficients showed that the coefficient of the entrepreneurial accompanying is significant at the 10% risk of error ( $\beta = -0.336$ ,  $p < 0.10$ ). This " $\beta$ " coefficient is negative, indicating that the accompanying significantly and negatively affects the entrepreneurs' self-awareness in their commitment competencies. We reject thus the hypothesis H1.5 that entrepreneurial accompanying positively affects the self-awareness of the engagement competencies.

▪ **Impact of Entrepreneurial Accompanying on the self-awareness of the Opportunity Related Competencies (H1.6: Model 6)**

The regression model is statistically significant ( $F = 1.907$ ,  $p < 0.05$ ). However, analysis of regression coefficients shows that entrepreneurial accompanying significantly and negatively impact self-awareness opportunity related competencies ( $\beta = -, 353$ ,  $p < 0.1$ ). The hypothesis H1.6 that entrepreneurial accompanying positively affects self-awareness entrepreneurs in their opportunities related competencies is refuted.

*Effect of Entrepreneurial Accompanying on EC Improvement Beliefs (H2)*

We examined the alleged relationship between entrepreneurial accompanying and the entrepreneurs' beliefs about the opportunities to improve their current EC (H2). More specifically, we tested the six underlying assumptions H2.1, H2.2, H2.3, H2.4, H2.5 and H2.6 proceeding by six models of multiple linear regressions in which the entrepreneurs' improvement beliefs of EC are the dependent variable.

▪ **Entrepreneurial Accompanying and entrepreneurs' beliefs about the opportunity to improve Conceptual Competencies (H2.1: Model 1)**

The test results of the hypothesis H.2.1 present statistically significant regression model results ( $F = 1.848$ ,  $p < 0.05$ ). However, there is no significant effect between entrepreneurial

accompanying and the entrepreneurs' beliefs to improve their conceptual competencies in the future. We therefore reject the hypothesis H2.1 which mentions the existence of a positive impact between the entrepreneurial accompanying and such beliefs.

- **Entrepreneurial Accompanying and entrepreneurs' beliefs about the opportunity to improve Relational Competencies (H2.2: Model 2)**

The test results of the hypothesis H.2.2 does not present statistically significant regression model results ( $F = 1.477$ ,  $p > 0.10$ ). Therefore, hypothesis related to the positive impact of accompanying on the entrepreneurs' beliefs to improve relational competencies is rejected.

- **Entrepreneurial Accompanying and entrepreneurs' beliefs about the opportunity to improve Organizational Competencies (H2. 3: Model 3)**

The explanatory model of our dependent variable based on **entrepreneurial** accompanying is statistically significant ( $F = 1.918$ ,  $p < 0.05$ ). However, according to the regression coefficient observed it seems that the accompanying received by the entrepreneurs did not (yet) have a significant effect on their beliefs to improve organizational competencies. Therefore, the hypothesis H2.3 that entrepreneurial accompanying positively affects entrepreneurs' beliefs about the opportunity to improve organizational competencies is not validated.

- **Entrepreneurial Accompanying and entrepreneurs' beliefs about the opportunity to improve Strategic Competencies (H2.4: Model 4)**

The results show that the regression model is not statistically significant ( $F = 1.444$ ,  $p > 0.10$ ). The explained variance derived from the determination coefficient  $R^2$  is 18%. Similarly, the table of coefficients shows that entrepreneurial accompanying has no significant impact on the entrepreneurs' improvement beliefs of their strategic competencies ( $\beta = -, 142$ ,  $p > 0.10$ ). The results thus found allow us to reject the hypothesis H2.4 that entrepreneurial accompanying positively affects the entrepreneurs' beliefs to improve in the future, their strategic competencies.

- **Entrepreneurial Accompanying and entrepreneurs' beliefs about the opportunity to improve commitment competencies (H2.5: Model 5)**

The results show that the regression model is significant ( $F = 1.665$ ,  $p < 0.10$ ). Nevertheless, the results show no significant impact between entrepreneurial accompanying and the entrepreneurs' improvement beliefs related to commitment competencies ( $\beta = -0.250$ ,  $p > 0.10$ ). The hypothesis H2.5 that entrepreneurial accompanying positively affects entrepreneurs' beliefs to improve their commitment competencies is therefore not accepted.

- **Entrepreneurial Accompanying and entrepreneurs' beliefs about the opportunity to improve competencies related to opportunities (H2.6: Model 6)**

The regression coefficient is statistically significant ( $F = 2.229$ ,  $p < 0.01$ ). However, the impact of entrepreneurial accompanying remains insignificant on the improvement beliefs variable for opportunity related competencies ( $\beta = -, 173$ ,  $p > 0.10$ ). The research results thus allow us to refute the hypothesis H2.6 that entrepreneurial accompanying has a positive impact on entrepreneurs' beliefs to improve competencies related to opportunities.

*Entrepreneurial Accompanying and entrepreneurial self-effectiveness*

The hypothesis H3 connects entrepreneurial self-effectiveness (dependent variable) to entrepreneurial accompanying (the independent variable). The research results show a significant regression coefficient ( $F = 1.988$ ,  $p < 0.05$ ). Contrary to our model, it is noted that accompanying is negatively ( $\beta = -0.461$ ) and significantly ( $p < 0.05$ ) related to entrepreneurial self-effectiveness. These results allow us to reject the hypothesis H3 that states that accompanying positively affects the perception of entrepreneurial self-effectiveness of accompanied entrepreneurs.

## **Discussion**

Self-effectiveness is accepted as a cognitive assessment of the individual's capacity to mobilize the motivation, resources and the necessary behaviour to the exercise of control over the situations he has to face throughout its life (Wood and Bandura, 1989). It influences, according to Boyd and Vozikis (1994), beliefs of the individual in its possibilities or impossibilities to achieve certain goals. Bandura (2000) goes further by showing that effectiveness beliefs affect personal motivation through their impact on the objectives and expectations (Ben Salah et al. 2011). Thus, according to Bandura, a person formulates personal judgments on his own capacity for action according to his beliefs. Furthermore, the author states that the perception of self-effectiveness is never comprehensive but applies to a specific situation or a task.

Many researchers have studied the relationship between entrepreneurial accompanying and self-effectiveness of the entrepreneur. Like the work of Krueger (2000), which highlighted the important role of the mentor in the development, on behalf of the entrepreneur, of a sense of entrepreneurial self-effectiveness.

In our research, we intended to analyse the influence of the accompanying offered by the Réseau Entreprendre® Network on the entrepreneurs' sense of entrepreneurial self-

effectiveness. This relation has been tested through the H3 hypothesis stipulating a positive effect between the accompanying by the Réseau Entreprendre® network and the entrepreneurial self-effectiveness. Our data analysis demonstrated a rather negative effect ( $\beta = -.461$ ;  $p < 0.05$ ) and H3 was therefore rejected.

On the one hand, this result contradicts previous work which detected a positive impact between entrepreneurship training and entrepreneurial self-effectiveness of students (Waters et al 2002; Fayolle et al 2006; Boissin and Emin 2007). On the other hand, our results confirm other studies that have stated that training and entrepreneurship programs could have a negative effect on entrepreneurial self-effectiveness of the participants. For example Cox et al. (2002) noticed a negative change in self-effectiveness of students after having attended entrepreneurship training. The authors suggest, however, that the negative impact would depend on the initial specialization of students and their initial level of self-effectiveness, which may explain a sharp drop for people whose starting level of self-effectiveness was the highest (Delanoë, 2012).

Furthermore, we suggest that further clarifications of this negative impact of the Réseau Entreprendre® network accompanying on entrepreneurial self-effectiveness of selected entrepreneurs (“Lauréats”) can be based on the theory of Bandura. According to the social cognitive theory of Bandura (1986), perceptions of capacity change and evolve over time and with experience. More specifically, self-effectiveness of the individual builds and develops from four main sources (Afonso et al, 2012):

- Previous personal experiences (or previous performance, success or failure): this is to Bandura, the most influential source of self-effectiveness because these experiences will determine and support self-effectiveness judgments very early in life. A positive previous experience influences self-effectiveness positively, while a negative experience can illustrate the destructive effects that may persist throughout the personal or professional career.
- Experiments by observing the behavior of others: the feeling of self-effectiveness may be modified by the observation of failures or successes achieved by similar persons (vicarious learning or modeling). Thus, the individual learns through comparison and assesses their own competencies against those of others, which may negatively or positively influence the level of self-effectiveness.
- Verbal persuasion or gestures by third parties such as suggestions, advice or encouragement by outsiders. Their impact on perceptions of self-effectiveness is less

strong than the first two sources because it is determined by certain factors such as the credibility of the person giving advice or criticism, the degree of persuasion and their compatibility with the real needs of the person.

- Psychological or emotional states: such as excitement or anxiety, their interpretation differs from one person to another, it reflected their ability to deal with specific situations.

Therefore, on the basis of these research findings, entrepreneurial self-effectiveness of the entrepreneurs accompanied in the Réseau Entreprendre<sup>®</sup> network might be influenced negatively by the entrepreneurial accompanying. The negative relationship might be explained by existing principles of verbal persuasion or accompanying gestures that do not promote entrepreneurial self-effectiveness. Furthermore, the influence of experience by observing the behavior of others (indirect experience) as identified by Bandura (1986) might be relevant for the Réseau Entreprendre<sup>®</sup> case since accompanists that accompany selected entrepreneurs are entrepreneurs themselves. Otherwise said, negative experiences of the accompanists might negatively affect the entrepreneurs' perception of entrepreneurial self-effectiveness. In the context of the Réseau Entreprendre<sup>®</sup> case it is as well plausible that the negative relationship described above is related to the persuasiveness of accompanists, their credibility, or to a compatibility issue of their learning and services with the real needs of accompanied entrepreneurs (i.e. mismatch between entrepreneurial needs and accompanists' profile and experience).

One must also consider other factors that may cause negative accompanying influence on entrepreneurial self-effectiveness. We have therefore analyzed the effect of each control variable in the regression model with the exception of the gender effect (Wilson et al, 2007) since our sample has a small number of women that have responded.

Curiously, the variables: age of the accompanied entrepreneur (Maurer, 2001), level of study (Wilson et al., 2007), the duration of his professional experience, the duration of the accompanying relation, the type of the business project and the frequency of meetings with his accompanist have no significant effect on entrepreneurial self-effectiveness. However, our results show a significantly negative effect in the business sectors Building / Construction and Services ("services aux personnes"). It seems that the selected entrepreneurs by the "Réseau Entreprendre<sup>®</sup>" network in these two industries are particularly faced with difficult tasks and therefore with more significant challenges that influence their perception of entrepreneurial self-effectiveness.



## Conclusion

The general question which is found at the origin of our research was the study of the impact of entrepreneurial accompanying on the entrepreneurs' self-perception of their entrepreneurial competencies. More specifically, we sought to measure the impact of entrepreneurial accompanying within the Réseau Entreprendre® network on accompanied entrepreneurs' self-perception of their entrepreneurial competencies, the improvement beliefs of these competencies and their entrepreneurial self-effectiveness.

The results emerging from this research can be classified into two categories that are presented below.

The results concerning the impact of entrepreneurial accompanying on the entrepreneurs' self-perception of entrepreneurial competencies. Indeed, the analysis shows that the accompanying had no significant effect on entrepreneurs' self-awareness of their conceptual and interpersonal competencies. However, the effect is significantly negative when it comes to organizational, strategic, commitment and opportunity related competencies. Furthermore, the study of the impact of accompanying on the entrepreneurs' beliefs to improve entrepreneurial competencies in the future did not show a single significant effect. Otherwise said, the beliefs of an entrepreneur in his abilities to improve his conceptual, interpersonal, organizational, strategic, commitment and opportunity related competencies over time are not directly related to the accompanying offered by the "Réseau Entreprendre®" network.

A second part of our results concern the relationship between entrepreneurial accompanying and the development of a sense of entrepreneurial self-effectiveness of accompanied entrepreneurs. Contrary to some previous research work that demonstrate a positive effect, our results show clearly a rather negative relationship. Indeed, the level of entrepreneurial self-effectiveness of selected entrepreneurs in the "Réseau Entreprendre®" network experienced a net decrease. Thus, despite the universally accepted role of accompanying in helping entrepreneurs to develop an entrepreneurial self-effectiveness, our research results seem to contradict this observation.

Our research results may seem disappointing. The contradiction between the research findings and our research model expectations raises serious questions. Do our results faithfully reflect the studied phenomenon, namely accompanying, which by nature is not simply reduced to a few variables considered in isolation or to a defined research study period? Or, should we, as is generally the case, attribute these results to methodological flaws inherent in all research?

The contribution of our research to the improvement entrepreneurial accompanying through a better consideration of entrepreneurial competencies development process and the concept of "competence" is not only about what the results show, but also linked to the new research questions or new fields that are identified. As a concluding remark, in our view some important research opportunities deserve further development in the future so as to further study the relation between entrepreneurial accompanying and the entrepreneurial competences development process.

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**« HRM, INNOVATION AND ENTREPRENEURSHIP »:  
CONTRIBUTION TO THE UNDERSTANDING OF THE IMPACT OF  
ENTREPRENEURIAL ACCOMPANYING EXPERIENCES ON THE  
DEVELOPMENT OF ACCOMPANISTS' EXPERIENTIAL LEARNING  
AND KNOWLEDGE: “RÉSEAU ENTREPRENDRE” ® CASE “**

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**Abstract**

Faced with both collective challenges; in terms of economic and social development of communities and countries; and individual challenges for business creators, support and innovation systems gradually became necessary forming, since the 80s, a general reality in Europe and particularly in France.

Among the practices to support business creation, the interest of this research focuses on the entrepreneurial accompanying phenomenon. Previously focused on the result, the entrepreneurial accompanying approach is transformed into a practical entrepreneurship assistance based on an interpersonal influence relationship that develops between an entrepreneur and an external actor to the creation project and on an action process based on multiple learning and the skills development of the actors who are involved in that process.

In the current state of entrepreneurship research, if all accompanying networks contribute to a better success of accompanied entrepreneurs, the interest of this paper is oriented toward the other "hidden facet" of the accompanying relationship which is the accompanist and to the issue of his experiential learning and knowledge development in the business support structures in general and in “Réseau Entreprendre” ® in particular.

This paper raises the question: to what extent entrepreneurial accompanying experiences affect experiential learning outcomes and particularly the development of accompanist knowledge in “Réseau Entreprendre” ®?

To address this issue, we adopted a questionnaire-based quantitative methodology to a sample of 205 business creation accompanists in 38 “Réseau Entreprendre” associations in France. The quantitative results provide a better understanding of the experiential learning cycle of

the accompanist in these support structures. These results provide information on the potential impact of entrepreneurial accompanying experiences on the development of the accompanying knowledge.

Implications and contributions of this research are theoretical; consisting in enriching and complementing the existing knowledge on the entrepreneurial phenomenon while bringing a new vision based on the accompanying professional and the nature of his experiential learning. Furthermore, implications and contributions of this paper are also methodological and practical seeking to provide answers to managers and regional economic development actors.

***Keywords:*** *Entrepreneurial accompanying, accompanist, experiential learning, accompanying experiences, knowledge development.*

## **Introduction**

Nowadays, entrepreneurial accompanying is playing a role of an increasing importance. The oldest support networks have only existed for nearly thirty years, have progressively been highly structured and professionalized with both quantitative and qualitative goals, thereby providing a real global service offer for the benefit of business creation [Rochas (2005)].

The entrepreneurial support phenomenon was addressed in a more technical collective approach focused on result and successful completion of administrative and financial procedures [Toutain (2004): 145-150]. It has, over time, focused on a more individual approach to better perceive and take into account the complex relationship between the individual, the created object, the environment and the temporal dynamics in which the individual operates [Toutain & Fayolle (2008): 50].

The entrepreneurial support is transformed into a practical aid to business creation which is based on a relationship that develops between an entrepreneur and an external actor to the creation project. During this process we find all the challenge and art of accompanying that involves a shared effort and vigilance on the part of the entrepreneur and his accompanist. Certainly, in this approach the accompanist plays a decisive role. He is the privileged intermediary of the entrepreneur, regularly follows his evolution and oversees the entrepreneur's management of the project, and therefore all his actions and interactions with different interlocutors [Dupouy (2008)]. He should not be the expert that provides ready-made solutions. He should rather help the entrepreneur to find his own solutions and raise new questions to improve understanding [Bruyat (1993)]. To fulfill his role, the accompanist should use and develop his knowledge, skills and attitudes, in other words, his experiential learning, to invite the entrepreneur to collaborate and to consider the benefits of a support process in terms of the creation project performance.

Although the question of the accompanist's experiential learning and the development of his knowledge seems to be quite central, it is surprising that the majority of existing studies are primarily focused on the attributes, characteristics and learning of the entrepreneur and the performance level of his enterprise. As a stakeholder in the accompanying relationship, the accompanist seems to be almost completely forgotten or certainly neglected. The limited interest in the accompanying experience and its impact on the accompanist can be considered preoccupying. Indeed, if knowledge of the conditions and benefits of entrepreneurial support for entrepreneurs are essential, why can we not imagine that in parallel this experiential process allows the accompanist to learn and develop knowledge too?

This research is therefore an opportunity to fill this gap in the entrepreneurship research literature in general and in the education field in particular. It seeks to complete and indirectly support previous research through the enhancement of the role and experiences of the professional actor in these support structures, specifically in the “Réseau Entreprendre ®”. Thanks to the tools and techniques used, our goal will be to operationalize the concept of accompanist experiential learning during his intervention and to assess the impact of his entrepreneurial accompanying experiences on the development of his knowledge. Our main question is to understand to what extent entrepreneurial accompanying experiences affect the development of accompanist knowledge in the “Réseau Entreprendre ®” case.

This paper is composed of two main parts: a theoretical part proposing a new perspective of the accompanist’s experiential learning, his role, skills, foundations and cognitive learning outcomes. The second part is empirical and treats the conceptual model, assumptions and the research results.

## **Theoretical Framework : Towards A New Perspective Of Accompanist Experiential Learning**

In the field of entrepreneurship, research on entrepreneurial support is mainly dedicated to entrepreneurs in the context of new business creation and focus on the content of provided aid [Dottenwill & Marion (1993); Albert, Fayolle & Marion (1994)], the legitimacy of the accompanying [Messeghem & Sammut (2007)] or the effectiveness of mobilized structures (Vedel & Stephany (2010)) and their contribution to the success of the entrepreneurial process [Sammut (1995); Albert; Bernasconi; Gaynor, (2003); Bergek & Norrman (2008)]. However, only a few studies have attempted to go beyond this first level of analysis of an accompanying relationship to go to meet the professional actor and explore the role and the challenge of his job [Cuzin & Fayolle (2006)].

In our view, it is time to reflect on the accompanist and on his job which value has been proven in the evolution of the entrepreneurial spirit and the development of the number of business creation and resumption projects. This job is sometimes considered as a meeting point between several functions, roles and skills to provide accompanying support on a professional basis. In order to present the theoretical framework we discuss below the characteristics of entrepreneurial support actor.

### *An overview of the accompanist as professional actor*

The accompanying term is widespread and very used; however, it refers to different realities (Léger-Jarniou, C. 2005). Indeed, the professionalization trend of the accompanist job is

developed and adjusted on a perpetual basis since it depends on the diversity of demand, the plurality of his roles, the combination of accompanying logics (learning, development, problem solving ... ), the duration, the relational quality and the interaction between presence / absence, distance / proximity ... (Dupouy A, 2008).

Considering that entrepreneurial accompanying is specific and differs from other forms of support (social, guardianship...), it involves conceiving the specificities and, in particular, the combination of accompanying postures and the plurality of roles and competencies that must assume an accompanist in his action.

#### *Accompanist's roles and functions*

The accompanying term considers the plurality of roles to adopt based on project owner's needs, the context of his project progress and the challenge of a number of actions (Bruyat 1993). These accompanists can endorse facilitator roles that help the business creator while working on the operational aspects of his project. They can assume roles of coach, referent, expert advisor, trainer, catalyst or coach (Iselin & Bruhat, 2003). The accompanist is then assigned the role of an energy reserve (contribution in terms of methodology, selection and strategic projects implementation) and a catalyst (contribution in terms of changes of strategic vision, methods and behaviors of the entire entrepreneur organization) (Baron (1992).

In order to sum up the work on the accompanist roles and functions and to describe how accompanist adapt to the characteristics of each situation encountered in an accompanying process, Maela Paul (2004) proposes a typology of three different roles or semantic registers of the verb "accompany" reflecting how an accompanist can assume accompanying challenges. These roles correspond to the three professional postures of accompanist as described by Paul Maela.

In the first role, an accompanist leads the entrepreneur and the role is centered on the idea of what to do and therefore on educational functions (Paul, 2004) in order to advance the entrepreneur to a given situation. This first role refers us to three different but simultaneous ideas: accompanying idea, movement idea and influence idea. The results of the interviews conducted by Verzat & Gaujard, (2009) show that this first role is dominated by the weight of the technical expertise and networks that an accompanist brings to an entrepreneur (Cuzin & Fayolle, 2004). In the second role, the accompanist escorts the business creator throughout the support process. Paul explains this second role by the idea of protecting, monitoring and providing comfort and support to the business creator against environmental threats. This coaching role (Cuzin & Fayolle, 2004) also reflects an attitude of listening and helping the

entrepreneur to discover his entrepreneurial job (Verzat & Gaujard, 2009). Finally, the accompanist can also guide the entrepreneur, assist him to reflection and decision making while helping him to realize the consequences of a given choice or situation (Cuzin & Fayolle, 2004). At this stage Verzat & Gaujard, (2009: 7) describe accompanist as "the global coordinator and the positioning aid referent who functions much by mirror effect."

#### *Accompanist's competencies*

When faced with the accompanying practice, it is easy to recognize that sometimes this practice is seeking varied and much diversified qualities and skills. Indeed, accompanying activities are becoming more professional with the assertion of new skills that are highly dependent on situations to deal with and profiles of accompanied people. In order to assist, advise and orient business creators, accompanying professionals must address their own professional and personal development by capitalizing on their experiences in order to provide concrete and effective answers to entrepreneur's requests.

This professionalism and enrichment of the accompanist practices necessarily requires a step back and a permanent questioning about his methods and the coherence of his actions. It is important, even essential, for the practitioner to improve his ability to invest and become fully involved in the process, in other words, to learn.

The return towards the notion of competence necessarily raises the question of what are the professional skills that are involved in the entrepreneurial support process. This issue of accompanist skills and selecting criteria was one of the issues that emerged with the development of support structures (Bakkali Messeghem & Sammut (2010a).

The challenge for the accompanist is not easy. Beyond listening and analytical skills, the professional must demonstrate a better combination and learning of how to be but also how to do and an appropriate but differentiated use of his knowledge for each situation in order to provide an effective support. This typology is similar to Minet (2001) and Chandler & Jansen (1992)'s typology that highlights the qualities of an accompanist. This latter must develop eclectic skills that bring together three areas of expertise. The first area is the technical and professional skills. These skills are in the professional field of the accompanist. They are related to the business of the entrepreneur, its characteristics, its culture and its history, in other words, the identity of the entrepreneur's enterprise. Then, the second area concerns the skills that fall within the cognitive field and deep knowledge of the professional field and the methods and techniques required in entrepreneurial accompanying (Minet, 2000). In addition to technical knowledge of the entrepreneurial project mounting tools (Verzat & Gaujard,

2009), authors like Bakkali & al. (2010 a) emphasize the most general knowledge on entrepreneurship and small business management, including, the legal, tax, and financial aspects (Vaesken & al. 2007) and the different business sectors and actors of local aid (Sammut, 1998) that can help and orient business creators when facing problems. Finally, the third area is the socio-emotional skills that are the results of the accompanist's contacts and experiences mainly in the areas related to the exercise of their function. These skills represent one of the necessary conditions for observing the entrepreneur and understanding the difficulties encountered (Kram, 1985) such as listening, caring, empathy, respect and other attitudes that must be at the entrepreneur's service.

#### *Entrepreneurial accompanying experiences and experiential learning*

The encounter of new people multiplies interactions and creates new experiences that involve the accompanist and allow him to realize the importance of his person while putting his knowledge and skills to the entrepreneur's service. This representation makes each accompanying a new experience and a real enriching discovery of a new singular entrepreneur's profile. Thanks to this experience, the accompanist builds a new self-image and identifies changes that occur during the accompanying process. These destabilizing but innovative changes are the results of learning and the way of learning.

The accompanist experience during the entrepreneurial process consists of a mixture of his professional experience and his tacit knowledge and emotions (Creplet, Dupouet, Kern, Mehmanpazir & Munier 2001). These elements represent the favored aspects of accompanying and the development of entrepreneurship projects. This implies that the accompanist must enhance his professional experiences, recognize them as strength and a learning source to be accumulated and build for his personal and professional development. Besides this, Senicourt & Verstraete (2000) argue that the strength that distinguishes accompanying probably concerns the accompanist's commitment in the achievement of actions depending on accompanying phases.

In the consulting area, for example, Creplet, Dupouet, Kern, Mehmanpazir & Munier (2001) emphasize the importance of the consultants' experiences and their contribution in terms of capitalization on best practices. The consultant learns by working and adapting (Probst & Büchel, 1995). His learning is also called single loop learning. In some cases, his learning is by construction and is also called double-loop learning (Argyris & Schön, 1978), when he has the obligation to conceptualize new methodologies, new procedures, etc.

In the entrepreneurial mentoring field, St-Jean (2010) puts forward the mentor's professional experiences and, particularly, the accumulation of entrepreneurial experiences that enable them, first, to fulfill their functions and to increase mentees' learning and opportunity identification and, second, to ensure more effective support. The author supports the idea of coaching learning for experienced mentors who can learn from their mistakes in order to improve their ability to develop a trusting relationship while adopting an intervention posture and style adapted to entrepreneurs. Toutain & Fayolle (2008) confirm that the experience accumulation process participates in creating resources that the person will use to build his skills. These are the individual learning outcomes.

#### *The foundations of accompanist experiential learning*

As a learner and by taking into account his personal, cognitive, emotional and affective characteristics, the accompanist will be able to act according to his experiences and his knowledge repository to deal with critical moments of his approach and to share the benefit of his expertise and professionalism with the entrepreneur. These characteristics systematically intervene in the learning dynamics and the development of accompanist behaviors. They are both personal; such as learning styles or the level of reflexivity, self-criticism and adaptability of the accompanist, and professional; such as the level of commitment and accompanying motivation.

In this research, our accompanying vision expresses an interaction between the accompanist, his commitments and personal factors (values, beliefs, postures, aspirations ...). On the basis of these few essential dimensions the entrepreneurial accompanying may constitute a relevant learning device.

#### *Accompanist experiential learning outcomes : knowledge development*

The experiential learning discussion is facing a somewhat difficult task which is that of attempting to describe or define what experiential learning implies. One way to accomplish this task consists, then, in the development of key outcomes related to experiential learning process that have been identified in recent research.

Learning is defined as "the process of creating a knowledge-based transformation experience" (Kolb, 1984) and was, therefore, considered as a multifaceted concept which involves several learning outcomes. Gagne (1984); Krathwohl, Bloom, & Masia, (1964); Kraiger, Ford, and Salas (1993); reported the need for a conceptual classification of learning based on this multidimensional perspective.



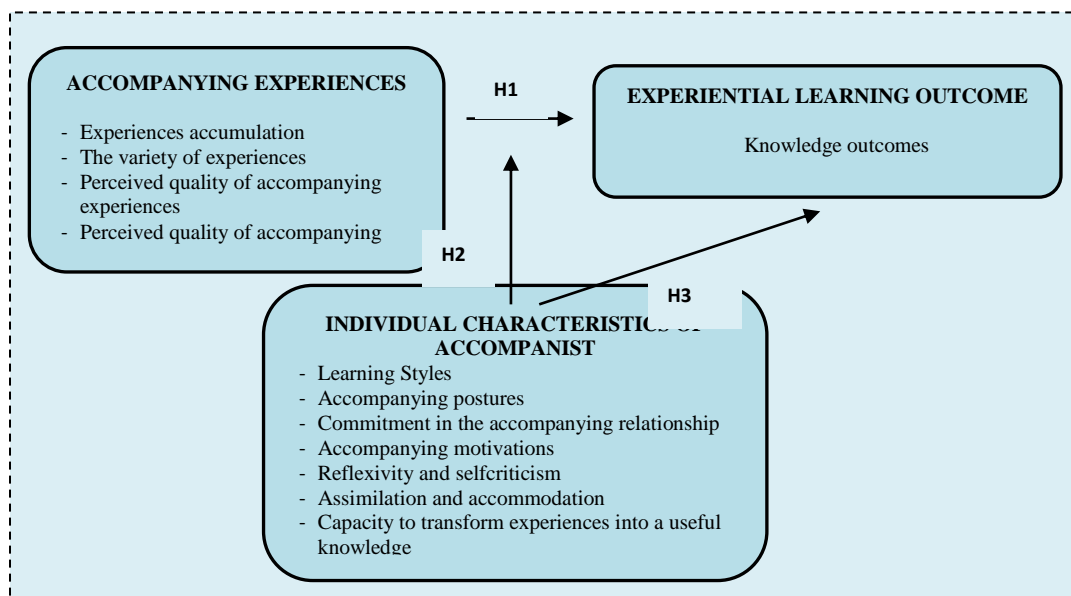
In this paper we relied on the work of Kraiger & Ford, and Salas (1993) who proposed three broad categories of outcomes: emotional outcomes, knowledge outcomes and capacity-based learning outcomes. These outcomes return us to the competency repository that details what an individual needs to know, master and learn in order to accomplish his mission, namely; knowledge, skills (know-how), qualifications and abilities (inter-personal skills) (Gilbert, 2005).

The interest of this work is to explore the development of accompanist's knowledge as an outcome of his experiential learning. Indeed, Dalley & Hamilton (2000) argue that learning from experience is the most predominant and the most appropriate method to create knowledge. For these authors nothing can replace experiences to learn, especially accompanying experience in the context of accompanying relationship. An emotional learning-based perspective and orientation must, therefore, focus not only on the static and current states of knowledge of the learner, but also on the dynamic process of knowledge acquisition, organization and translation.

### Conceptual Model And Research Hypotheses

We present the conceptual research model that links on the one hand, accompanying experiences of accompanists, their individual characteristics related to learning, including their accompanying postures and learning styles and, on the other hand, one of the experiential learning outcomes namely cognitive learning and knowledge development.

This is an integrator model inspired from experiential learning research and based on the cycle of Kolb (1984). It is defined in time (the professional career) and space (one or more entrepreneurial support structures). It seeks to answer our research topic through three main research hypotheses:



The first hypothesis (H1) links the accompanying entrepreneurial experiences and accompanist' cognitive learning outcomes (the development of knowledge) and is formulated as follows:

**Hypothesis 1:** The accompanying experiences significantly affect the cognitive experiential learning outcomes of the accompanist (knowledge development).

The second hypothesis (H2) tests the moderating effect of the accompanist's individual characteristics on the relationship between his accompanying experiences and his cognitive experiential learning outcomes. These features include the learning styles of the attendant, accompanying posture, commitment to the accompanying relationship, accompanying motivations, his reflexivity and self-criticism, adaptation through the processes of assimilation and of accommodation and finally the ability to transform his experiences into useful knowledge. The hypothesis is the following:

**Hypothesis 2:** Accompanist's individual characteristics significantly affect the relationship between accompanying experiences and his cognitive experiential learning outcomes (knowledge development).

The third hypothesis (H3) directly links these accompanist's individual characteristics and their cognitive experiential learning outcomes.

**Hypothesis 3:** Accompanist's individual characteristics significantly affect his cognitive experiential learning outcomes (knowledge development).

## **Method**

### *Scope of research : Réseau Entreprendre*

The "Réseau Entreprendre ®" association is the realization of the idea of André Mulliez, once CEO of Phildar Group and Founding President of this association. This idea, whose purpose is to create jobs and wealth with a desire to support entrepreneurs, future employers and job creators, took shape in 1986 with the creation of the network in Roubaix Nord and has expanded in several French regions and had attained up to 42 associations in 2010 and 67 sites in France.

The "Réseau Entreprendre ®" network mobilizes both financial and human resources and proposes individual and group accompanying or the introduction of the entrepreneurs in economic networks in order to save time when starting their business. The association solicits

business leaders who volunteer to accompany each year new entrepreneurs and buyers of SMEs / SMIs. The operation of the “Réseau Entreprendre ®” network is based on the respect of the Code of Ethics, which is based on three fundamental principles: the human factor, gratuity and reciprocity.

### *Population and research sample*

To empirically test our research hypotheses, the survey population consisted of all business project accompanists from the 42 “Réseau Entreprendre ®” member associations in France and their 67 sites. The required research data relates to accompanists that still accompany within the association or who have already completed their accompanying mission. The accompanists can be experienced (having several entrepreneurial accompanying experiences) and / or novice (with little experience or just starting their first entrepreneurial experience or support mission). The filtering our files and removal “Réseau Entreprendre ®” member associations not participating in this survey allowed us to create a final list of 1825 accompanists active in 38 member associations.

On the basis of the received survey responses, a final sample of 205 accompanists was validated. The highest response rates correspond to the “Réseau Entreprendre ®” member associations in Brittany with a 11.7% response rate and Paris with a 10.2% response rate. These rates are mainly due to the high number of accompanists in each of these two member associations that are involved in our research. The sample consists of 91.2% of men and 8.8% of women with a majority of 57.6% that have a level of BAC + 4 studies. A majority of 67.2% of respondents have never accompanied before. The study also showed that 85.4% of respondents are accompanying entrepreneurs while 14.6% of respondents have already completed their accompanist support since 1 to 2 years (2011 - 2012). Most accompanists (48.6%) are business leaders with 30 years of entrepreneurship experience. These results seem to confirm the accompanist’s selection criteria in the “Réseau Entreprendre ®” associations that aim to address business leaders to support emerging entrepreneurs.

### *Measurement model variables*

#### *Measurement accompanying experiences*

Accompanying experiences is the independent variable of our model and was measured in two ways as shown in the following table:

Quantitative		Qualitative	
Sub-variable	Measure	Sub-variable	Measure
The entrepreneurial accompanying experiences accumulation	The number of accompanied persons	The perception of the Entrepreneurial accompanying experiences quality	5 points Likert Scale
The entrepreneurial accompanying experiences variety	<ul style="list-style-type: none"> <li>- Variety of needs expressed par entrepreneurs</li> <li>- Variety of accompanist's roles</li> <li>- Variety of ages, profiles, business sectors and the business project innovation degree</li> </ul>	The perception of the Entrepreneurial accompanying relationship quality	<ul style="list-style-type: none"> <li>- The amount of sharing information in the accompanying relationship</li> <li>- The communication quality in the accompanying relationship</li> <li>- The long-term direction of the accompanying relationship</li> <li>- The satisfaction regarding the accompanying relationship</li> </ul>

Table1. *Accompanying experiences measurement*

#### *Measurement accompanist's individual characteristics*

Individual characteristics are the moderator variable of the model. In this variable, we analyzed different accompanist's individual characteristics. These features are especially those related to the concept of experiential learning and are fundamental conditions such as:

Sub-variables	Measure
- The accompanist's learning style	- Four learning mode (Kolb, 1984): Active Experimentation (AE), Reflective Observation (RO), Abstract Conceptualization (AC), and Concrete Experience (CE)
- The accompanying posture	- Three accompanying posture (Paul 2004): Functionalist posture, hermeneutic posture and reflective and critical posture. These postures depend on the needs type met, the methodology type, the focus and the accompanist intervention type.
- The accompanist's commitment in the accompanying relationship	<ul style="list-style-type: none"> <li>- Three quantitative indicators: The number of months of accompanying, frequency and duration of meetings</li> <li>- A qualitative indicator: The accompanist perception of the level of his involvement in the accompanying activity</li> </ul>
- The accompanying motivations	- Four motivation types: personal motivations, professional motivations, entrepreneur and project-related motivations and the economic and social motivations.
- The accompanist's reflexivity and self-criticism	- Two measurement types: personal reflexivity and self-criticism and professional reflexivity and self-criticism
- The accompanist's assimilation and accommodation (the adaptation process)	- Two phases: The accompanist's adaptation process and pre-adaptation process
- The accompanist's ability to transform his experiences into useful knowledge	- The accompanist's perception of the personal development level following his accompanying experiences.

Tableau 2. *Measurement accompanist's individual characteristics*

#### *Measurement cognitive experiential learning outcomes*

To operationalize this variable, we have identified in the literature, various verbal knowledge that should characterize the job of the accompanist (Bakkali Messeghem & Sammut (2010b) Vaesken, Torterat & Fauconnier (2007)). We referred also to the satisfaction survey conducted by the “Réseau Entreprendre ®” in September 2011. Fifteen types of knowledge were assessed by accompanists on a Likert 5-point scale ranging from 1 = Strongly Disagree to 5 = Strongly Agree. Two factors emerged following the principal component analysis (PCA). The first factor includes specific and technical knowledge in enterprises and SMEs. The second factor includes the more general knowledge about the context and the business environment and SMEs.

## **Results**

### *Descriptive analysis*

#### *Accompanist's individual characteristics*

#### *Accompanist's learning style*

Self-assessment styles and learning preferences by accompanists in the “Réseau Entreprendre ®” network showed that the main learning style is the Assimilator style combining abstract conceptualization to capture the experience and reflective observation to transform it.

#### *Accompanying posture*

Concerning the accompanying posture, the majority of respondents accompanying 50.3% receive a clarification type request from the entrepreneur to consider an evolution, orientation, personal and / or professional development. Besides this, the accompanying methodology for the majority of the research study respondents (46.5%) consists of interviews, active listening, and the creation of conditions that facilitate a productive sense of the entrepreneur's actions. A majority of accompanists representing 42.7% believe that their focus is rather the overall situation of the entrepreneur and 48% considered that their intervention as an accompanist consists of mobilizing resources for the entrepreneur that wishes to develop a business project.

#### *Accompanist's commitment*

Regarding the involvement of accompanists in the accompanying relationship, the results of the survey show that the average length of the relationship is approximately 21 months; a year and 9 months. The majority of respondents, with a percentage of 62%, reported that the usual frequency of their meetings, including phone calls is estimated at 1 once a month. 60.9% consider that in general each of its meetings with the “Réseau Entreprendre ®” selected

entrepreneur takes between 1 and 2 hours. Moreover, 59.1% think that coaching is a rather demanding activity for the accompanist.

#### *Accompanist's motivations*

Our results show that the pleasure of accompanying (61.4%), the feeling of being useful (50%), the desire to transmit entrepreneurial passion (59.6%), entrepreneur's project success (75,9%), the challenge (eg. accompanying a project and see it succeed) (40%), find the values through the action of the accompanying structure (44.2%) or participation in local economic development through the creation of businesses and jobs (47.9%) are the most important reasons for the majority of survey respondents to accept an accompanying engagement in the "Réseau Entreprendre ®" or similar accompanying networks.

#### *Accompanist's reflexivity and self-criticism*

The majority of survey respondents tend to agree on the fact that they like to think about what they do as accompanists and consider other means to accompany (57.7%). 49.4% of surveyed accompanists often think about their actions in the "Réseau Entreprendre ®" network to see if they could improve their accompanying actions and 49.7% often reassess their accompanying experience to learn from it and to improve their future performance as an accompanist. A percentage of 41.8% also agree on the fact that their accompanying experiences have often allowed them to question some of their misconceptions.

#### *Accompanist's adaptation processus*

The results of the survey show that the majority of accompanists tend to agree with the idea of learning new methods for conducting the accompanying actions (51.9%) as well as taking steps to improve their shortcomings in their mission to accompany entrepreneurs (44.8%). They also mostly agree to take responsibility to maintain knowledgeable in their accompanist job (44.1%).

#### *Accompanist's personnel development perception*

A large proportion of accompanists representing 49.4% have a high enough sense that the accompanying experience that they have experienced or are experiencing in the "Réseau Entreprendre ®" network, has allowed them to grow on a personal level.

#### *Accompanying experiences*

##### *Accompanying experiences accumulation*

The results of the survey show that more than half of the accompanists surveyed, representing 55.5%, accompanied between 2 and 5 entrepreneurs so far during their careers, both in the context of the "Réseau Entreprendre ®" and other accompanying networks.

### *Variety of accompanying experiences*

Concerning the variety of accompanying needs, the results of the survey show that 56.5% of the accompanists surveyed tend to agree on the fact that the need for support generally expressed by people they accompany is a need related to the project itself. 48.1% of survey respondents indicated that accompanied entrepreneurs generally expressed needs related to the project owner (i.e. themselves). Finally, 49% of survey respondents indicated that these accompanying needs are both related to the project owner / project combination.

Concerning the variety of roles, the results show that 35.9% of the accompanists surveyed tend to agree on the fact that their role is typically to provide technical expertise. For 53.2% of the accompanists surveyed, their role is typically to coach the project sponsor and develop the entrepreneur personally. Finally, 51.6% of the accompanists surveyed tend to agree that their role is typically to raise the entrepreneur's awareness of the consequences of a situation or a particular choice.

The results of the survey show that 43.3% of respondents think that the ages of the entrepreneurs accompanied so far are quite varied. A majority of the accompanists surveyed, representing 46.4%, indicate that the profiles of people they accompanied so far (gender, level of education, training, work experience, motivation and entrepreneurial development prospects) are quite varied. As such, 38.3% of respondents assert that the project industry sectors accompanied so far are quite varied and, finally, 44% of respondents believe that the innovation levels of accompanied projects so far are quite varied.

### *The perception of the accompanying experiences quality*

The results show that 47.1% of respondents perceive the accompanying quality of their entrepreneurial coaching experience as quite high. For these accompanists accompanying experiences have been quite rewarding and formative allowing them to create new professional knowledge.

### *The perception of the accompanying relationship quality*

The results show that 53.2% of respondents strongly agree that their entrepreneurial coaching relationship is characterized by the existence of a confidential information disclosure on the entrepreneur's business strategy. In total 58.4% of respondents strongly agree that their entrepreneurial coaching relationship is characterized by open communication with the entrepreneur. Furthermore, 50.6% of the accompanists surveyed tend to agree on maintaining a long-term relationship with the entrepreneur and 45.1% of the accompanists surveyed tend to agree that their entrepreneur relations are a great success.

### *Test of hypotheses*

The test of the first hypothesis shows that there is a direct impact of entrepreneurial coaching experience on the achievement of cognitive outcomes experiential learning ( $F = 2.641$ ,  $p < 0.01$ ). The accompanist general and specific knowledge development, therefore, are directly related to the accompanying experience and more specifically, to a better accompanist's perception of the quality of his accompanying experiences ( $\beta = .609$ ,  $p = 0$ ) and to a lesser extent the accumulation of his entrepreneurial accompanying experiences ( $\beta = 0.263$ ,  $p < 0.10$ ). No direct effect of the variety of experiences or the perceived quality of the accompanying relationship was observed on cognitive outcomes.

The test of the second hypothesis shows that learning style has a moderating effect on the relationship between the accompanist's experience and support the development of both specific knowledge ( $F = 2.236$ ,  $p < 0.05$ ) and general knowledge ( $F = 2.329$ ,  $p < 0.05$ ) by the accompanist. The results also show that the accompanying postures affect only the relationship between the accompanying experience and the development of the accompanist's general knowledge ( $F = 2.319$ ,  $p < 0.05$ ). The accompanist's commitment in the accompanying relationship also appears to have a moderating effect on the relationship between his accompanying experiences and the development of the accompanist's specific knowledge ( $F = 7.739$ ,  $p = 0$ ) and general knowledge ( $F = 2.139$ ,  $p < 0.10$ ).

The study of the moderating effect of the accompanist's motivations shows that this characteristic and particularly personal motivations ( $F = 4.361$ ,  $p < 0.01$ ) and professional motivations ( $F = 4.060$ ,  $p < 0.01$ ) have a moderating effect on the relationship between his accompanying experience and the development of the accompanist's specific knowledge.

The results of this research also show that reflexivity and self-criticism of the accompanist's as an individual characteristic has a moderating effect on the impact of his accompanying experiences on the development of the accompanist's specific knowledge ( $F = 1.942$ ,  $p < 0.10$ ) and general knowledge ( $F = 2.506$ ,  $p < 0.05$ ).

The study of the moderating effect of the process of assimilation and accommodation shows that this characteristic and, in particular, the pre-adaptation process of the accompanist has an effect on the relationship between his accompanying experience and the development of his general knowledge ( $F = 3.842$ ,  $p < 0.01$ ).

Our results also show that the ability of the accompanist to turn his experiences into useful knowledge influences the relationship between his accompanying experience and the development of his specific knowledge ( $F = 5.651$ ,  $p = 0$ ).



The test of the third hypothesis shows that the individual characteristics of the accompanist has a direct impact on the development of specific knowledge ( $F = 1.924$ ,  $p < 0.05$ ). These characteristics are, first, the commitment of the accompanist in the accompanying relationship and especially the length of his accompanying relationship ( $F = 300$ ,  $p < 0.05$ ) and furthermore the personal motivations of the accompanist ( $F = 384$ ,  $p < 0.05$ ).

## **Discussion**

The aim of the paper is to contribute to a better understanding of the accompanists' cognitive experiential learning / knowledge development in the accompanying network structures and especially in the "Réseau Entreprendre ®" network. Through the conceptual model we proposed, we wish to test the impact of entrepreneurial accompanying experiences on cognitive learning outcomes and the development of accompanists' knowledge.

Taken together, our results confirm the legitimacy of the choice of entrepreneurial accompanying experience and individual characteristics as determinants of accompanists' cognitive experiential learning outcomes. Both these two main variables in the model affect in a significant manner the development of accompanists' knowledge.

Our results confirm the importance of the role of experience in the learning process in the writings of Dewey, Piaget, Lewin, Kolb, Argyris and Rogers and, in particular, in the entrepreneurial field (Collins & Moore, 1970; Deakins & Freel, 1998; Minniti & Bygrave, 2001; Reuber & Fischer, 1993; Sarasvathy, 2001; Sullivan, 2000). The role of the accumulation of experiences has been suggested by the words of Nonaka and Takeuchi (1995); Patel, Arocha & Kaufman (1999); Dewey (1938), Lewin (1951); Kolb (1984) who have demonstrated the importance of the amount of experience in the production of tacit knowledge of individuals. High quality professional experience is also a creative experience for new professional knowledge (Nonaka, 1994; Minniti & Bygrave, 2001 and L'hotellier, 2001). This result shows that both the quantity and quality of experiences are taken into account in the accompanying experiential learning and the development of knowledge in the "Réseau Entreprendre ®" network.

Apart from their direct impact on the development of accompanying knowledge, accompanists' individual characteristics have a moderating role in the relationship between entrepreneurial accompanying experience and cognitive outcomes of experiential learning / knowledge development. Our results support, therefore, the work of Kolb (1984); Anderson (1993); Armstrong & Mahmud (2004); Wagner & Sternberg (1987) and Sadler-Smith (1996)

according to which the represented learning style is part of the cognitive style of the accompanist that allows him to use the information in his learning environment to acquire knowledge.

Through our results, we can still identify the functionalist position as the dominant position which marks the most the relationship between accompanists in the “Réseau Entreprendre ®” network and accompanied entrepreneur and determines, therefore their cognitive experiential learning. Accompanists are then often faced with topics that mainly concern the financial, legal and commercial, etc. aspects of the business creation project. These results are consistent with those of the satisfaction survey conducted by “Réseau Entreprendre ®” in September 2011, which shows that the main expectation of the majority of the entrepreneurs accompanied (56%), is the introduction of specific aid to the development of company (expert advice, networking and financial aid).

Our results also trace the general emphasis on the professional commitment to the accompanying relationship, and specifically, the length of the time period spend with the accompanied entrepreneur (Wanberg & Allies 2006 St-Jean & allies, 2012) and the degree of involvement (Paul, 2004) in the “Réseau Entreprendre ®” network (Tannenbaum & allies (1991). The professional and personal motivations, in our study, justify the intensity of their cognitive experiential learning (Baldwin, Magjuka, and Loher 1991. Martocchio & Webster, 1992; Mathieu, Tannenbaum, & Salas, 1992; Quinones, 1995 Kraiger & allies, 1993 Colquitt, LePine, & Noe, 2000).

Accompanists in the “Réseau Entreprendre ®” network seem to progress in their thought process and awareness of the importance that might represent a better reflection on their actions and accompanying practices within the association. Changes caused by this reflective and self-critical processes are cognitive, allowing them thus to review the effectiveness of their performance and relevance and meaning of their experiences (Collins, 1991). The process of the accompanist’s adaptation did not lack importance in the context of our research. Indeed, this characteristic was also deemed relevant in an experiential learning situation for the accompanists in the “Réseau Entreprendre ®” network since it brings us to the two processes by which the accompanist assimilates and adapts his knowledge repository to adapt to his environment and regain equilibrium.

Our research shows, however, that professional learning in the “Réseau Entreprendre ®” network results from entrepreneurial coaching experiences, but above all, from the accompanist’s ability to transform his professional experience in knowledge that can serve

him in his accompanying activities. Indeed, the ongoing transformation of experience into knowledge is a prerequisite that even determines the accompanist's experiential learning process and his knowledge development (Kolb, 1984 Holmqvist, 2000).

## **Conclusion**

This research work has complemented the earlier work while providing a special look at the other party in an accompanying relationship which is the accompanist in these business development support structures. We wanted to contribute to a better understanding of accompanists' cognitive experiential learning process in the "Réseau Entreprendre ®" network and the development of their knowledge through their entrepreneurial accompanying experiences.

By investigating the career path, the different experiences in entrepreneurial support and the characteristics of the accompanists in the "Réseau Entreprendre ®" network, we formulated three main hypotheses to describe the path of the accompanists' cognitive experiential learning cycle.

Cognitive learning outcomes of the accompanists in the "Réseau Entreprendre ®" network are strongly influenced by their accompanying experiences but also by their individual characteristics. More specifically the accompanist's quality perception of the accompanying relation, more than the quantity of his experiences, allows him to develop specific and technical knowledge of enterprises and SMEs.

The relationship between entrepreneurial accompanying experience and the development of the accompanist's specific and general knowledge is moderated by his learning style. This relationship is also influenced by the four indicators of the accompanist's commitment to the accompanying relationship: the duration of the relationship, his perception of the degree of involvement of his accompanying activity, the frequency and duration of his interviews with the entrepreneur. Professional and personal motivations of the accompanist, his reflexivity and professional criticism and his ability to transform the accompanying experiences have useful knowledge have as well a moderating effect on the relationship between his accompanying experiences and development of specific accompanying knowledge.

The results of our research have also been able to show that the impact of entrepreneurial accompanying experience on the development of general knowledge of the accompanist is moderated by an assimilating learning style, his functionalist stance, the duration of the accompanying relationship, his perception of the degree of involvement of his accompanying

activity, his reflexivity and personal criticism, and finally by his pre-adaptation process to acquire and process information from its environment. Among the individual characteristics of the accompanist, it is the length of his accompanying relationship and personal motivations that positively and directly influence the development of specific accompanying knowledge. This work represents on the one hand, an individual diagnosis that allows accompanists themselves as learners in the “Réseau Entreprendre ®” network to follow closely their cognitive experiential learning process and to assess the quality of their accompanying experience, but above all, to question the variety of accompanying experiences and open their mind to new experiences. On the other hand, this study provides an organizational diagnosis for the “Réseau Entreprendre ®” network managers to evaluate the entire organization through the sum of individual experiences while taking into account the central role of the accompanist and the development of his knowledge to ensure a better quality of entrepreneurial accompanying practices.

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## **HARMONISATION OF NATIONAL AND ORGANISATIONAL CULTURE AND ITS INFLUENCE ON HRM IN MNC AND FAMILY MANAGED BUSINESS IN INDIA – A CASE STUDY**

## **Abstract**

Rapid developments in the Indian economy post liberalisation in 1991 have prompted institutions like the World Bank to forecast that India would be the fourth largest economy in the world by 2020 (Saini and Budhwar, 2004). With the growing business interest in the region, the challenges facing academicians is developing appropriate HRM system, for different business models operating in India. One must appreciate that India is home to almost all religions of the world and presents in its people and races one of the most diverse congregations of cultures, dialects, castes, ethnicities rarely matched by any other nation. This mystic and diverse culture has generated a set of challenges, which also makes its HRM unique (Rao and Verghese, 2009).

The paper examines if national culture is viewed as a constraint on HRM practices. It documents HRM challenges faced by both an MNC and a Family Managed Business(FMB) operating in India, focusing primarily on the interface of global culture with the deep-seated and widely varying cultural practices prevalent in India.

According to Yin (1984, p 13), case study as a research method is a qualitative analysis of social phenomenon and investigates a contemporary phenomenon within its real-life context; when the boundaries between them are not clear. In this study, it documents two case studies – one of a FMB and the other MNC operating in India and validates how national culture influences organisational culture. It draws conclusions and has ramifications, both for the HRM practitioners and policy makers of MNCs, FMBs operating in India.

***Keywords: National Culture, MNC, FMB, Country Effect, Organisational Culture, Cross Convergence, Multiculturalism.***



## **Introduction**

Foreign Direct Investments (FDI) has swung to the emerging economies and its share has increased from 23% in the mid- 1980's to 37.2 % as of 1997 (Budhwar and Debrah,2001a) . As a consequence, 53,000 Multi National Corporations (MNCs) with 450,000 affiliates operating around the world, a total of 230,696 are now based in developing countries (Budhwar and Debrah, 2001a).During FY 2012–13, India attracted FDI worth US\$ 22.42 billion. According to a recent UNCTAD survey projected India as the second most important FDI destination, after China. (Malhotra,2014). Further of 62,000 MNCs with 9,00,000 affiliates over 100,000 firms are operating in India. Further, India has emerged as a global leader and a strong nation at the turn of this century, (Pal and Buzannel, 2008). Further, according to Budhwar and Debrah (2001b), the majority of the world's population lives in developing countries. Developing countries are significant buyers and important suppliers of different resources (both natural and human) to industrialised nations, while being competitors to developed countries with lower labour costs, strategic regional centres for the expansion of MNCs, production sites for MNCs and capital users, i.e. from private creditors such as international banks, FDI and foreign official governmental assistance (Budhwar and Debrah, 2001b). These facts highlight the great extent to which both developed and developing countries have now become interdependent. For Budhwar and Debrah (2001b), these developments and globalisation itself necessitate the need for cross-national HRM studies, especially between developed and developing nations (Budhwar and Debrah 2001b).

The nature of HRM is known to be 'context specific' (Boxall, 1995; Brewster, 1996). Budhwar and Khatri (2001) argue that the HRM system varies from country to county and can either be universal or context specific, like in India's case where there is a strong relationship between the social contacts and career development which presents the context-specific nature of such a practice. Budhwar and Sparrow (1998), as cited by Budhwar and Debrah (2001a), argue that HRM in various countries is 'context-specific'. They further state that national culture has a strong bearing on the HRM systems in any which presents the context-specific nature of such practices. For instance, union structure in India is rather well-developed, recruitments and promotions are influenced by caste, regions from where one comes.

## **Literature Review**

The belief that the organisation must correspond with their environment in which they are embedded is a well-researched theme. Bussey (1999) found that a cooperative relationship between corporate and national cultures could enhance effectiveness in many companies when implementing team-based work strategies. National cultures shape strong value systems among their members. The resulting shared values, preferences and behaviours of population groups differ widely between countries, impacting the organisational structure (Blau and Scott, 1962; Peters, 1978; Pettigrew, 1979).

Multicultural concerns have long informed India's history, traditions, constitution and political arrangements. Many writings on Indian history, culture and politics are marked by some kind of multicultural consideration. Even the recommendations of the successive Finance Commissions of India, to take an unusual example, show that the changing criteria for allocating resources to states accommodates the country's social and cultural diversity (Bhattacharya 2001). India's constitution can be said to be a multicultural document in the sense of providing for political and institutional measures for the recognition and accommodation of the country's diversity (Bhattacharya, 2001). Further, according to the Indian Planning Commission "India is, moreover, a multi-cultural society and most of the MNCs do not understand the diversity and the multi-plural nature of the society and the different stakeholders in this country" (Bhattacharya 2001: 20).

Hofstede (1993) conceptualised national culture as the "collective programming" of the mind that distinguishes inhabitants of one nation from another, while arguing that collective programming develops as a result of the experiences shared by the inhabitants of a nation, and includes values transferred by the educational, government and legal systems, family structure, patterns of religious preference, literature, architecture and scientific theories. National culture changes very slowly, because what is in the minds of the people of a nation also becomes crystallised in its institutions. The validity and reliability of Hofstede's dimensions of national culture has been tested by many researchers (Hunt 1981; Kogut and Singh 1988; Triandis 1982). The literature review suggests three pioneering research projects that have been directly aimed at identifying cultural dimensions from a normative perspective. These are by Hofstede (1991), Schwartz (1992) and Trompenaars and Hampden-Turner (1998).

Hofstede (1983: 88) maintained that management is 'culturally dependent' and that 'if we see what effective organizations in different cultures have done, we recognize that their

leaders did adapt foreign management ideas to local cultures'. Further, he recognizes that 'there have been examples of multinationals successfully reforming local cultural traits', he cautions that 'this is a difficult task', and 'for best results a multinational's management practices should fit the local culture'. (Hofstede, 2001: 441–442). There is growing emphasis on the role of national culture on organizational culture and has studied extensively by GLOBE project. (House, Hanges, Javidan, Dorfman, & Gupta, 2004; Javidan, House, Dorfman, Gupta, Hanges, & de Luque, 2004).

Moreover, Singh (1990) maintains that India is a country of great diversity. There are substantial regional, linguistic, cultural and religious variations across the country. Given the wide range of variation, it should be impossible to generalise about society, organisations and leaders in India, as much as it is about organisational and leadership practices in Indian organisations. Through an empirical study Singh (1990) established that Hofstede's five dimensions vary with age, level of education, size of organisation, levels in organisation, industrial sector, economic sector, nature of job, location, etc.

Singh (1990) highlights one of the key findings as being the lesser use of power in highly industrialised locations. He states another key finding in his study was related to economic sector influences. On the power distance measure, the scores for the public sector (PSU), Indian private (both family managed and professional (FMP) and international private sector (MNCs) were 9, 22 and 0 respectively. On the uncertainty avoidance measure the scores for the PSU, FMP and MNCs were 27, 57 and 39 respectively. On the individualism measure the scores for the PSU, FMP and MNCs were 19, 6 and 31 respectively. On the masculinity measure the scores for PSU, FMP and MNCs were 33, 31 and 77 respectively. Decisions based on these findings can have a varying impact on the culture of a region.

Singh (1990) argues that India, a highly populous democracy and an important emerging economy, is seeking to modernise and transform its institutions without sacrificing its commitment to economic progress, socio-cultural heterogeneity and traditional social hierarchical values. He argues that, in India, political influence, an uncertain future, a dynamic business environment, a fatalistic attitude and the risk-aversion nature of Indian managers are the main factors contributing to a high level of uncertainty avoidance. This creates a climate of calculative risk taking, a dimension which has a negative influence on HRM policies related to selection, training and development, pay, benefits and separation.

## National and Organizational Culture

Figure 1. Country, national culture and organizational culture

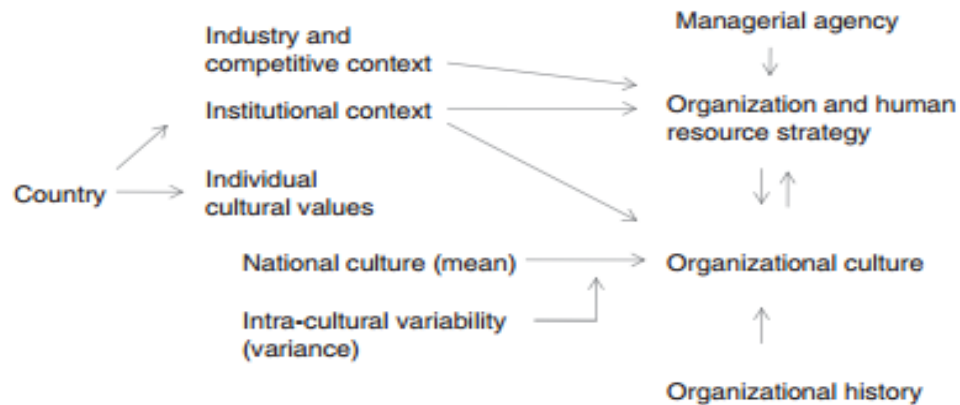


Figure 1: *Effect of National Culture on Organisational Culture (Source: Gerhart,2008)*

The above model recognizes that culture is just one of the ways that contexts differ across countries and has a bearing on cultural values of the organization and the individuals. Further country, as a constraint on organisational culture, would be expected, on average, to reduce variance within countries, relative to the variance between countries ( Nelson & Gopalan, 2003). Thus the study examines the degree to which the effect size for country (and a specific characteristic of India’s national culture) has on organizational culture operating in India. This study undertakes single country study ( India) of multiple organization – one family managed business which has Indian promoters and another MNC operating in India.

### **Research Methodology**

Methodology refers to the overall approach to the research process. Social scientists with different philosophical assumptions would adopt different approaches in their research. Corresponding to the objective-subjective debate in ontology and the positive-phenomenological contrast in epistemology, there is the quantitative-qualitative debate in the methodology dimension. For this qualitative analysis of the social phenomenon, case study and observation were the two tools used for the study. Yin (2002, p13) defines case as “a contemporary phenomenon within its real life context, especially when the boundaries between a phenomenon and context are not clear and the researcher has little control over the phenomenon and context” .

Case study is an empirical inquiry that investigates by addressing the “how” or “why” questions concerning the phenomenon of interest. In collecting case study data, the main idea is to “triangulate” or establish converging lines of evidence to make your findings as robust as possible (Yin,2004).For this study, we revisit the research question – Is national culture a constraint on organizational structure? . The observations and documentation of is made with respect to cultural orientation of two firms – MNC and a family managed business operating in India.

*Case Study - Accenture India – Think Global, Act Local*

Accenture plc is a multinational management consulting, technology services and outsourcing company having its headquarters in Dublin, Ireland, since September 1,2009. It is world’s largest consulting firm measured by revenues. As of 2014, the company reported a net revenue of US\$ 30 billion and has about 3,19,000 employees serving clients in more than 200 cities in 56 countries in 2014. It employed about 80,000 people from India and 40,000 in USA. Accenture India, today is the number one paymaster in IT firms operating in India, has got the best projects globally and has a great talent pool of over 80,000 knowledge workers in India, more than anywhere in the world. Accenture ranked #2 in the Business Today ‘Best Companies to Work for in India’ survey. It is focused on the talent landscape - recruiting the best talent, developing new capabilities, and retaining with non - monetary benefits.

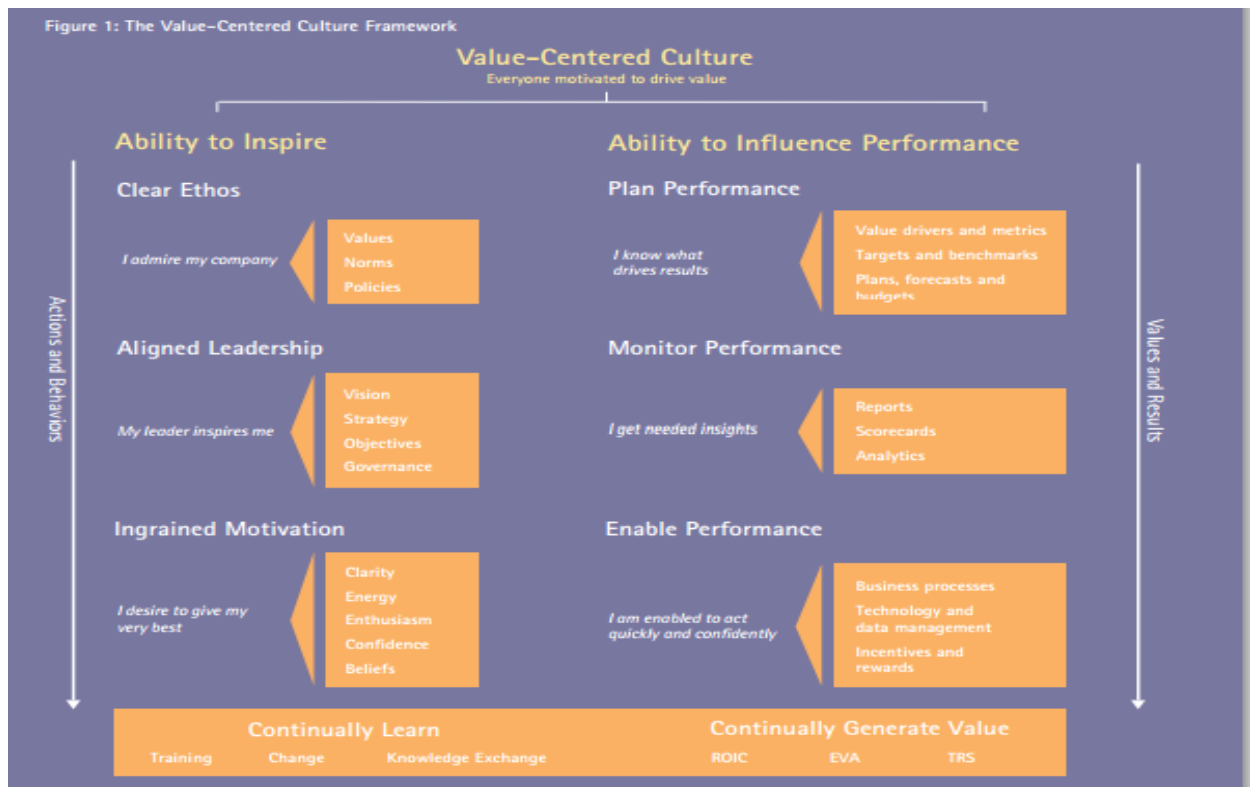


Figure 2. Value Centered Culture Framework (Source : Accenture article : *Creating a Value-Centered Culture to Drive High Performance*)

### *Value orientation cultural framework at accenture*

On the right-hand side of the Value-Centered Culture Framework is the Ability to Influence Performance, which includes the tools that are available to help employees translate behaviors into actions that drive value for the organization as a whole. In other words, companies that exhibit an exceptional ability to influence performance have the process and technology in place so employees can properly plan and monitor how effectively they are achieving their commitments and goals, and ultimately enabling the employee behaviors that drive overall value creation for the company. Ability to inspire on the left-hand side includes , a strong ethos which is an essential component of a value-centered culture. It includes not only the core values that an organization’s people share and that guide an organization’s behaviors, but also the cultural norms that govern the behavior of people within the organization and the policies that help ensure people will act and work in a way that drives value creation. Leaders not only provide a clear picture of the direction for the organization, but they also strive for strategic alignment and commitment among the entire leadership team. Without this, a leader may not be able to influence the culture or beliefs of the people they are trying to lead.

### *Some specific HR policies implemented in India by Accenture*

1. Recruiting is now like part of a large supply chain. It is like manufacturing with specific requirements. In fact, the market is such that even before we run out of people to hire, we may be short of HR professionals. As a part of this initiative, Accenture has partnered XLRI Jamshedpur, India for HR professionals.
2. Recruitment for fresher's through undergraduate summer internships and campus interviews. For experienced professionals apart from a screening interview, referrals are considered and thus the influences of national culture on organizational culture in India, as Indian recommend and also vouch for their contacts.
3. Hours that help – Accenture recently introduced this policy, and believes that it encourages the spirit of sharing. This is influenced by the Indian cultural norms of “ Each One Help One” . It emerged as a result of many of our people wanting to assist colleagues who needed extra leave on account of a medical emergency or personal problem. Many people did not avail of their leave fully by the end of the year. The person would accumulate his leave and carry forward the same to the next year and take it when it is needed.
4. Customization of HR practices can greatly benefit employees and their organizations. It's also good for the HR function itself.

#### *Work culture at Accenture*

Accenture India's holistic HR management approach is based on three unique traits of creating growth opportunities, offering them learning and development prospect and lastly compensate and reward them. Accenture's course ware, apart from other career building options, covers a set of over 15,000 courses, including cross-cultural issues. The demographics of the Indian employees and the work culture . Accenture India offers its employees much more than a challenging work culture. It is also highly rated for its leadership development agenda. Bhavana Rao has been at Accenture for a decade, and leads analytics delivery for BPO. A change of role every few years helps keep up her interest. After her first child was born, she took on a role that let her work from home more often. At Accenture, they facilitated change and also upgraded her skill . She has participated in many leadership programmes, including one that gave her the chance to network with Accenture's senior women leaders who were experienced in dealing with work-life issues. Accenture invests up to \$700 million a year on training and HR.

#### *Cultural orientation @ accenture*

Accenture India believes that, managing international business means handling both national and organization culture differences at the same time. As regards mindsets of employees regarding performance, authority and time, they are different for Indian companies and foreign companies operating in India. Accenture does not believe in reorienting the employees to a particular cultural orientation rather in being in sync with the national culture. At Accenture the managers from diverse cultural backgrounds to develop their ability to engage and understand and be conscious of other's business practices. At Accenture, there is a belief that, culture can be learned and Accenture is not just learning but a "listening organization. Accenture workforce mirrors the India's human diversity. Accenture India, is united by a common culture and commitment to help our clients achieve high performance. In this way, we build and maintain a global workforce that includes people from different backgrounds, with a vast range of skills and experience. Accenture delivers cross-cultural training to their employees when they relocate abroad. Even an issue as simple as small talk can be very different in another culture. Business Today (2010) reported that Rebecca Schmitt learned the important difference between small talk in the US versus small talk in India. The key difference is that in India, people like to get to know you not just as a professional but they also want to know about your personal life. Do you have children? What does your husband or wife do? In the U.S., it is considered rude to ask about someone's personal life at work unless you know them relatively well.

*Godrej – think local act global*

Godrej Group was established in 1897, headquartered in Mumbai, the financial capital of India. It is further subdivided into two main companies – Godrej Industries Ltd and Godrej and Boyce. It has recognized as one of the leading group in India Inc. Godrej group is presently headed by Mr. Adi Godrej, Chairman and Mr. Pirojshah Godrej, the managing director. Mr. Jamshed Godrej is the Chairman of Godrej and Boyce. The Godrej Industries annual turnover is as of 31.03.2012 was US \$ 1.029 billion and for Godrej and Boyce was US \$4.1 billion for the same period. The Godrej brand was valued at US \$3.2 billion by Inter brand as of 31.03.2012. Over 400 million people use one or another Godrej product every day, worldwide. It is amongst India's most diversified and trusted conglomerates. They have their presence in businesses like FMCG (fast moving consumer goods), chemicals, engineering, furniture, agro-products, real estate and Information Technology. At Godrej, there is a cross-cultural integration link which is part



of Godrej Group’s global 3 X 3 strategies: presence in 3 continents – Asia, Africa and Latin America, through 3 core categories – Home Care, Personal Wash and hair care.

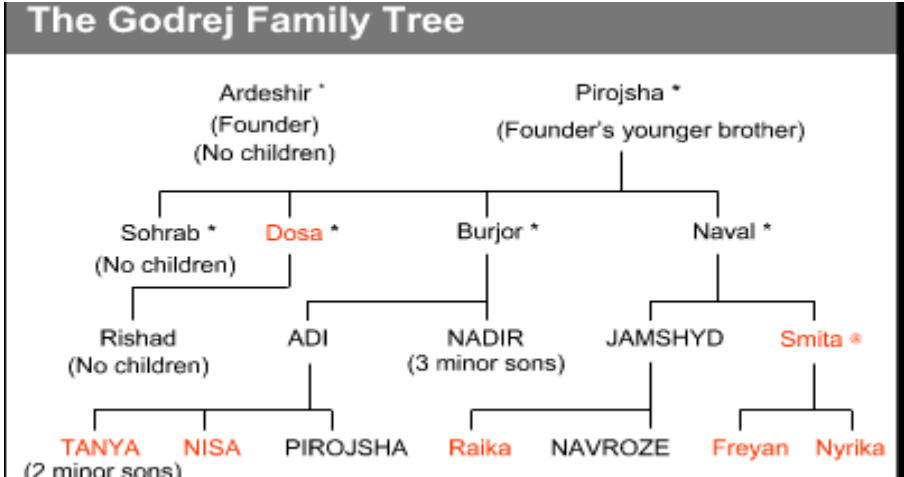


Figure 3. Godrej Family Tree

*Value Orientation cultural framework at Godrej*

Godrej is an inspiring workplace with an agile and high performance culture that attracts and retains the best global talent. The Group companies consistently feature in the Great Place to Work list. There are many mergers and acquisition and change management initiatives, which have formed a major part of the Group’s aggressive growth strategy. They value diversity at workplace, respect the value system of the individual and as a family managed business, they practice, “benevolent patriarch” and care for organization which takes care of their over 1,05,000 employees.

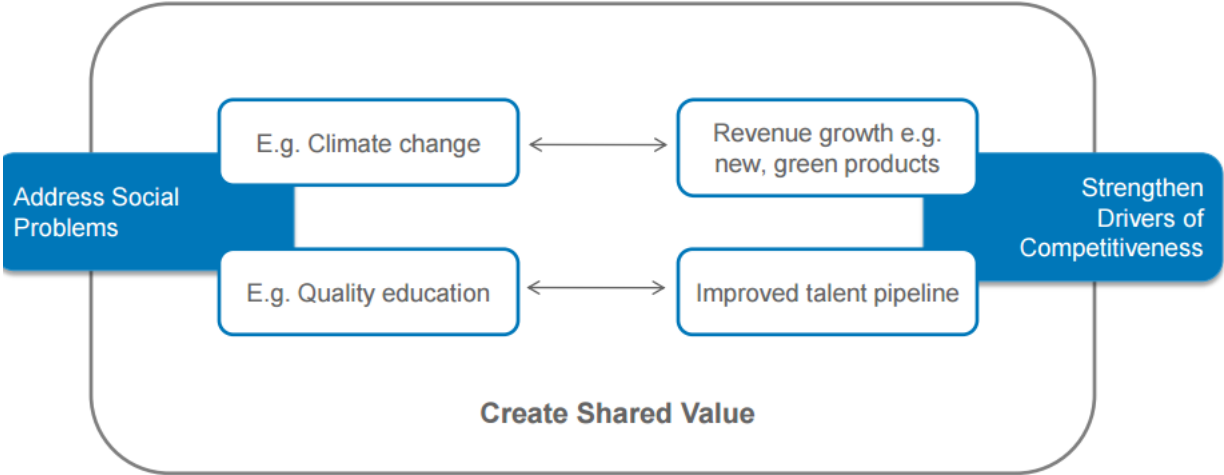


Figure 4. Value Centered Culture Framework (Source : Godrej Industries Ltd – Annual Report 2012)  
 Some specific HR policies implemented in India by Godrej Industries Ltd

1. **PLEA** : Purpose, Learning, Empowerment, Appreciation. The Purpose is the mission and the short term objectives are to be communicated throughout the organization. Learning opportunities are provided to employees including e-learning infrastructure. Empowerment and Employee Engagement receive the highest attention at Godrej, Last but not the least, appreciation is done periodically and their contribution to the organization acknowledged.
2. **Tough Love** : People processes and [talent strategy](#) at [Godrej](#) is driven by the keywords 'tough love.' People management process is a two-way process. Employees have certain expectations and companies help them in achieving them, as well as their aspirations. The process is tough as it is meritocratic and the expectations from high performers are bound to go up. Love symbolises the support the organisation will provide the coach and mentor, and the reward for high performers.
3. **Talent Management in Africa , South East Asia and Latin America:** Godrej is expanding aggressively in the above mentioned markets and believes in hiring aimed at empowering the local teams and maintaining ethnicity of business. Understanding local culture makes sense strategically and helps build relationship in these geographies.

#### *Work culture at Godrej*

At Godrej, it's more than a career. It is an opportunity to be a part of a culture that nurtures ambition with challenges and provides you with the freedom to operate and express your ideas and contribute to their fruition. It is an opportunity to develop one self and one's capabilities by unleashing potential through learning and exploring, taking up early responsibilities, working in cross functional teams, and moving across businesses, functions and geographies, thereby preparing you as a leader. At Godrej, they respect diversity of the Indians and facilitate open and transparent functioning. This, along with fun@work, makes Godrej a great place to work.

#### *Cultural Orientation @ Godrej*

Godrej Group believes that, managing international business means handling both national and organization culture differences at the same time. As regards mindsets of employees regarding performance, authority and time, they are different for Indian companies and foreign companies operating in India. Godrej believes in being in sync with the local culture and hence recruits local talent abroad. At Godrej the managers from diverse cultural backgrounds to develop their ability to engage and understand and be conscious of other's business practices. Godrej respects diversity at workplace and is a

equal employment to all. Godrej believes in cross-cultural training to their employees when they relocate abroad.

## **Conclusion**

National culture determines the survival of an organization over the long term. Cultures can be a liability to an organization if it creates barriers to change, create barriers to diversity or barriers to mergers and acquisitions. However as documented in the two case studies there is a MNC which is in harmony with the Indian culture is able to manage its talent in a effective way. Also as regards Godrej group which has its roots in the Indian soil believes in employing local talent in countries like Africa, South East Asia and Latin America as it understands the influence national culture plays on organizational culture.

### *Limitation of the study*

The study is limited to two firms from India which practices multiculturalism and has diversity in religious faith, ethnicity, and socio-cultural background and as such it is difficult to define India's national culture.

### *Implication for future research*

A study can be undertaken for Organisations across different geographies and document if their policies are in sync with the local culture they are operating.

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# TEMPORAL TACTICS: A NEW CONCEPTUAL MODEL FOR EARLY START LEADERSHIP

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## **Abstract**

Early start leadership literature holds the promise that anyone can be a successful leader, with the right guidance. This literature suggests that there is a limited and critical time period wherein leaders either build a firm foundation and succeed or act inaptly and doom themselves to failure. While a popular research and practitioner topic, few studies have advanced a conceptual model that summarizes key research findings yet serves to support the practical application of abstract theory. To address this gap, this paper examines the strengths and weaknesses of existing early start conceptual models and proposes a new framework based upon temporal stages that incorporate effective on-boarding strategies for both the HR department and individual leaders.

***Keywords: Early Start Leadership, On-boarding, Human Resource Management.***

## **Introduction**

New leaders are often brought in with the expectation that they will fix or transform their part of an organization or, if in a senior role, transform the whole organization. One study suggest that bringing in new leaders happens quite often as it is estimated that more than half a million managers enter new positions each year in Fortune 500 companies alone (Watkins, 2003). The challenge for these new leaders is that their change agendas often fail (Beer & Nohria, 2000; McKinsey & Company, 2008). And with failure, new leaders can be scapegoated which means that being a new leader is a risky proposition (Plakhotnik, Rocco, & Roberts, 2011). At question then, are there better ways for leaders to start their new tenure to help ensure success?

## **Early Start Leadership**

Ever since Roosevelt's infamous first hundred days in office, the notion that every new leader has a limited, finite window of time in which to succeed (or fail) has persisted. Early start leadership literature draws upon the view that there is a limited and critical time period wherein leaders either build a firm foundation and succeed or act inaptly and doom themselves to failure. This literature offers the promise that new leaders can be successful leaders, with the right guidance (Barnett & Tichy, 2000).

Entry into any new job, especially when beginning a new leadership role, is accompanied by interactions with organizational insiders and outsiders that will undoubtedly have important consequences. The theory of relationship development suggests that, a 'honeymoon period' often tempers the initial relationship between a newcomer and organizational members. Extant research on the topic suggests that the honeymoon period lasts only about three to six months (Farber, 1994).

Written work on early start leadership ranges from rigorous scientific studies (i.e. Jokisaari & Nurmi, 2009; Kaumeyer-Mueller, Wanberg, Rubenstein & Song, 2013) to summary bullet point lists on web pages. While one commercially successful book, written by Michael Watkins (2004) entitled *The First 90 Days*, has sold over 800,000 copies.

While a popular topic, few studies have advanced a conceptual model that summarizes key research findings that support the practical application of abstract theory by offering on-boarding advice. In response to this gap, this paper examines the strengths and weaknesses of existing early start conceptual models by drawing on existing models and provides a new framework based upon temporal stages that incorporate effective on-boarding strategies for

both the HR department (Downey, 2002) and individual leader. Therefore the goal of this paper is to provide a model in support of effective leadership transition.

**Conceptual Models in Review**

Conceptual models are valuable business tools that can succinctly communicate strategic directions and guiding principles to decision-makers: the Balanced Scorecard developed at Harvard Business School in the 1990s is one of the world’s most successful conceptual models, now utilized in thousands of firms as a valuable assessment metric (Kaplan, 2010). In academic and popular literature on early start leadership, only a limited number of works include conceptual models to summarize research findings and recommended actions.

Manderscheid and Ardichvili (2008) propose a model (see figure 1) which identifies the important factors which can help a successful leadership transition focusing specifically on team transition. Drawing from a literature review, the authors suggest that leadership success occurs in phases. As Manderscheid and Ardichvili refer to nearly every classic of early start leadership literature, the resulting conceptual model is well-grounded, broad in scope and clear. While Manderscheid and Ardichvili’s model is straightforward and well-focused, there are also weaknesses. While they discuss the concepts in the paper, their model does not account for leader origins as an insider or outsider nor the impact of the strength of positional power. As well, there is no element of time illustrated despite the authors’ finding that new leadership transitions do occur in distinct phases.

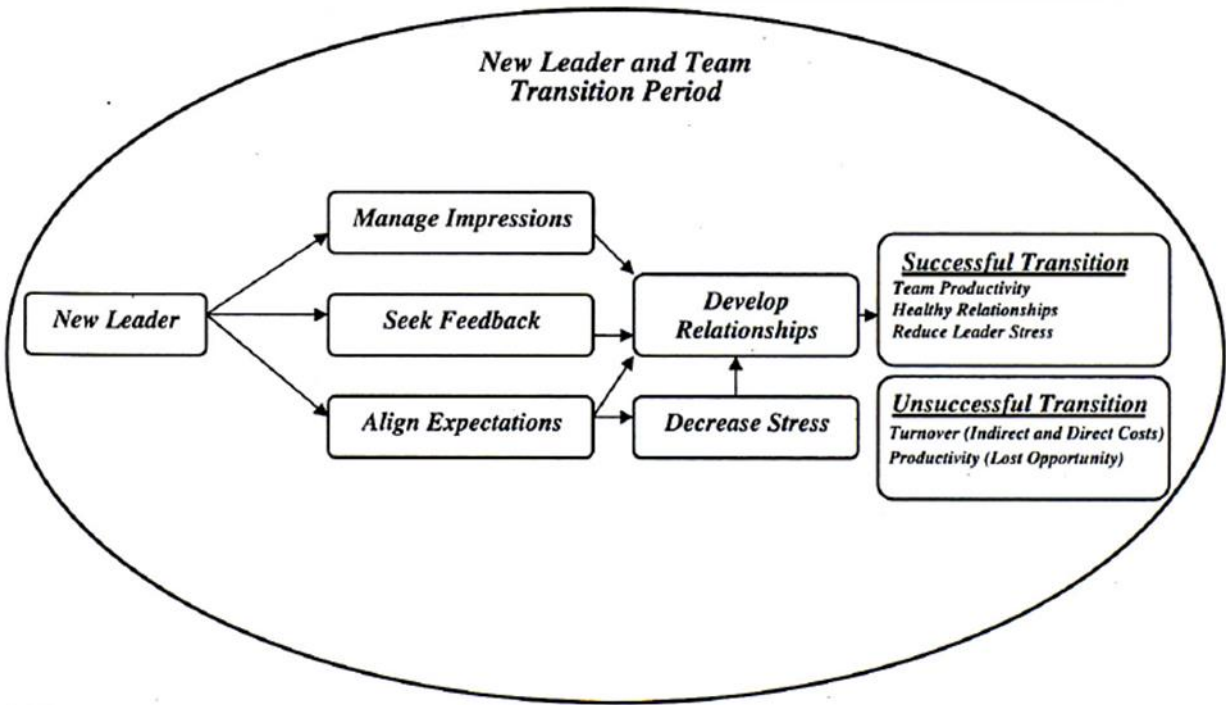


Figure 1. *New Leader and Team Transition Model (Manderscheid and Ardichvili, 2008)*

Ballinger and Schoorman (2007) present a conceptual model (figure 2) based on the study of workgroup dynamics and research in the fields of cognitive appraisal and relational leadership. Ballinger and Schoorman’s model is unique by considering the role played by followers in any exercise of leadership. As Kellerman (2012) has critically observed, followers are typically neglected by the leadership industry despite their profound influence on successful outcomes. The appearance of surprise, trust, history and job satisfaction are also unique elements in Ballinger and Schoorman’s model, along with the addition of a timeline indicating stages in an affective state, which research demonstrates is activated by any leadership transition. Of all conceptual models put forward in early start leadership literature, Ballinger and Schoorman’s is the most effective in unifying findings from academic research with a stage-based approach to new leadership transitions over time. What is missing though are succession strategies to lead the new leader through the various proposed stages.

**The Relationships Between Affective Reactions to Leadership Succession Events and Individual Outcomes**

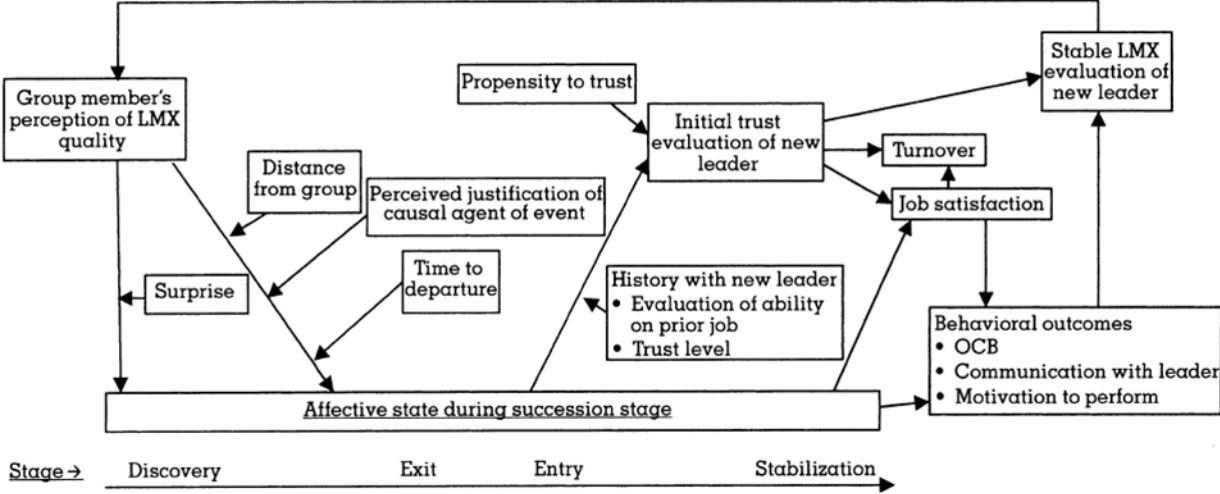


Figure 2. Ballinger and Schoorman, 2007

The STARS (see figure 3) is a model developed by Michael Watkins (2004) and it is included in his best-selling book *The First 90 Days*; it also appears in follow up articles on Watkins’ approach to early start leadership. Along with Watkins’ numerous recommendations for new leaders, STARS provides a method by which new leaders can act quickly to ensure financial success and continued growth for their firms. Watkins assumes that all organizations will fall in to one of the following four categories: Start-up, Turnaround, Realignment or Sustaining



Success. Having identified which applies, new leaders can then apply a matching set of actions recommended by Watkins.

While STARS is useful for organizational scenarios where quick, decisive action is required and financial sustainability is the focus, the model is too narrow to function as a comprehensive model for early start leadership. Many of the critical factors in early start leadership success that Watkins has noted in his own work are absent, including the importance of building relationships, learning, and securing quick wins.

**The ST<sub>A</sub>RS Model**

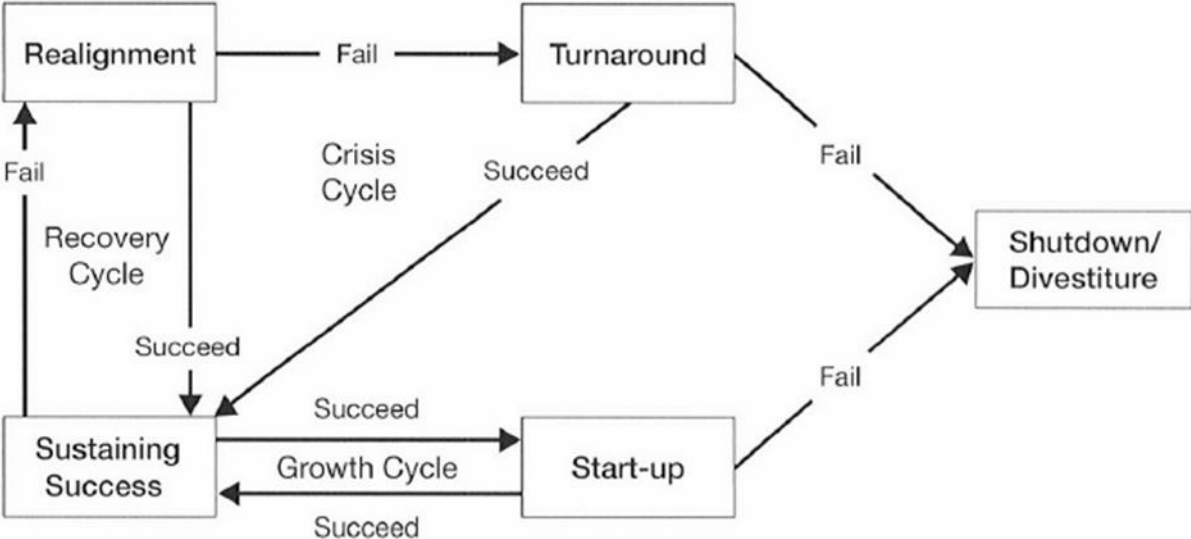


Figure 3. *The Starts Model (Watkins, 2004)*

And finally, Jokisaari and Nurmi (2009) examined the important relationship between new leaders and their immediate supervisors; in particular the study focused on leaders helping newcomer learning—that is, newcomers’ achieving role clarity and work mastery. The authors found that newcomers’ perceived supervisor support declined during the period 6–21 months after organizational entry and that the steeper the decline the greater the decrease in role clarity and job satisfaction. Thus, the study supports the argument that one’s boss is a key individual in organizational socialization and future personal leadership success. However, they do not offer a broad conceptual model as they focus primarily on leader to leader mentorship.

## **A New Conceptual Model**

Drawing from extant research and interviews with early start leaders we propose a new conceptual model with a consideration of early start leadership in terms of timed stages. The *Temporal New Start Leadership* conceptual model is validated by qualitative data provided by early start leaders.

A total of 12 leaders were interviewed; participants were distributed evenly across the public, private and not-for-profit sectors, working in the following industries: gaming, municipal administration, pharmaceuticals, financial services, web development, business development, consulting and social services. Seven males were interviewed.

Participant interviews were conducted following McCracken's (1988) long interview method, based on a four-step inquiry model. As McCracken recommends, respondents will ideally be strangers and with 8 respondents enough to provide a reasonably complete picture of shared experiences and culture (McCracken, 1988). All interviews for the purpose of this study were conducted over the telephone, with the exception of one which occurred in person.

During each interview, participants were asked a set of factual questions about their current positions and organizations, as well as information pertaining to years of experience in senior management leadership and number of leadership transitions occurring in that time. 'Grand tour' questions then explored participants' high level views on the factors, behaviours and activities that they believed were most likely to cultivate success during a leadership transition. A set of questions regarding particular periods in time then focused on the temporal dimension of leadership transitions, asking participants to reflect on their own behaviours, mindsets and actions at critical milestones in the transition period: before arrival in the organization, Day One and the first 2 weeks, the first 90 days, the first 6 months, and the first year.

Interviews lasted an average of 35 minutes, allowing opportunities to cover the topic of leadership transition in considerable detail. Interviews were recorded and transcribed to 68 single spaced pages of documentation, with each participant given the opportunity to review transcriptions and add further comment; this communication also functioned as a member check for potential interviewer bias. Transcripts were then analyzed to identify trends and common themes between participants.

The conference presentation will touch on the findings of the study and place critical early start milestones in five key phases:

- Before Arrival to a new leadership position
- Day One and the first 2 Weeks
- The first 90 Days
- 6 months past arrival
- Leadership Maintenance (aka the Long Tail of new leadership success).

In summary, this paper highlights key leadership actions for new start leaders drawn from extant literature and proposes a new model grounded in qualitative data with modifying variables for new leader success effectively mapped against a temporal dimension.

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# AMBIGUITY PREFERENCE : NEGATIVE DOMAIN VERSUS POSITIVE DOMAIN

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## Abstract

The purpose of this paper is to examine in an experimental setting the attitudes toward ambiguity over probabilities and over outcomes in the positive and negative domains using a mixed design of within-subjects and between-subjects. Ambiguity refers to uncertain situations where the probability of the possible events is unknown. One can distinguish between two sources of ambiguity: ambiguity over outcomes and ambiguity over probabilities. Ellsberg (1961) has shown that people, when faced with positive rewards, present aversion to ambiguity. Recent research shows, however, contradicting results.

Similar to Prospect Theory where people prefer uncertainty over certainty in the negative domain we found that in the negative domain people prefer ambiguity over clarity. Perhaps, ambiguity serves as an excuse or a justification against regret. When people have to make decisions concerning negative outcomes, they would prefer to be less responsible and more ignorant.

***Keywords: Ambiguity, Preferences, Risk.***

## **Introduction**

Uncertainty is a major element in the theory of decision making. Research has shown that the way by which uncertainty is presented to the decision maker influences the decision process itself. Knight (1921) distinguishes between "risk" where the probabilities are measurable and "uncertainty" where they are not. Ellsberg (1961) added to this line the notion of ambiguity, which is a mix of "risk" and "uncertainty." Eichberger and Kelsey (2007) defined ambiguity as situations where some or all of the relevant information about probabilities is missing. Ellsberg himself (1961, p. 657) defined ambiguity as "a quality depending on the amount, type, reliability, and 'unanimity' of information, and giving rise to one's degree of 'confidence' in an estimate of relative likelihoods."

Ellsberg (1961, 2001) has shown that people, when faced with positive rewards, present aversion to ambiguity. In contrast to the Subjective Expected Utility (SEU) theory, he shows that people have a preference for objective over subjective bets. People make decisions differently if there is ambiguity about uncertainty compared with the instance when there is no ambiguity, even if the expected risk is the same (Kahn and Sarin, 1988). Similar results were shown by Ganzach (2000) and Zajonc (1968) where, based on the Exposure Effect, people preferred investing in known ventures such as stocks of the NYSE rather than stocks of less known markets.

Most of the recent experimental studies report that individuals tend to avoid ambiguity (e.g., Sarin and Weber, 1993; Kunreuther et al., 1995; Gonzalez-Vallejo, et al., 1996; Kuhn and Budescu, 1996; Klein et al, 2010). On the other hand, recent research shows that, on some occasions, people prefer ignorance to knowledge (Ehrich and Irwin, 2005, Botti and Iyengar, 2006).

Fox and Tversky (1995) addressed ambiguity aversion, the idea that people do not like ambiguous gambles or choices with ambiguity, with the comparative ignorance framework. Their idea was that people are only ambiguity averse when their attention is specifically brought to the ambiguity by comparing an ambiguous option with an unambiguous option. For instance, people are willing to bet more on choosing a correct colored ball from an urn containing equal proportions of black and red balls than an urn with unknown proportions of balls when evaluating both of these urns at the same time. However, when evaluating them separately, people are willing to bet approximately the same amount on either urn. Thus, when it is possible to compare the ambiguous gamble to an unambiguous gamble, people are

averse, but not when one is ignorant of this comparison. Camerer and Weber (1992) reviewed the many studies that have examined how individuals react to probabilistic ambiguity.

Similar to Prospect Theory where we observe risk aversion in the positive domain and risk seeking in the negative domain, it seems to us that there should be a difference in the attitude toward ambiguity in the positive and the negative domains.

In the negative domain, however, the results are not consistent. Yassour (1984) replicated Ellsberg's experiment but extended it to include the negative domain. Whereas in the positive domain significant ambiguity aversion was found, in the negative domain, most subjects preferred the ambiguous options over the non-ambiguous ones.

On the other hand, ambiguity avoidance for both gains and losses was demonstrated by Keren and Gerritsen (1999) and by Inukai and Takahashi (2009). In the same vein, we find Camerer and Weber (1992), Cohen, Jaffray and Said (1985), and Einhorn and Hogarth (1985, 1986) report ambiguity aversion for losses but in a smaller magnitude than for gains.

Kahn and Sarin (1988) found that "in the gains domain, there is ambiguity seeking at low mean probabilities and ambiguity aversion at high mean probabilities.

## **Method**

Participants were 329 undergraduate students of business administration and economics from the Ruppin Academic Center (152 female and 167 male). The average age was 33 with a standard deviation of 5.1 (most participants in the research were students in the executive program).

The experiment was conducted in the classroom during class hours. The subjects agreed to participate in the study upon our request. The students had the option of not participating in the experiment and leaving the classroom at that point.

Students' attitude toward ambiguity was measured using a questionnaire with four scenarios (vacation, health, monetary, survival), all framed positively and negatively. Each student answered two questions in the positive framing and two questions in the negative framing.

In each scenario, the subjects were asked to choose between a known/familiar state and an unknown/ambiguous state on a seven-point scale, where 1 represented aversion to ambiguity and 7 represented ambiguity seeking.

There were two versions of the questionnaire. In the first version, scenarios 1 and 2 were framed in the positive domain and scenarios 3 and 4 in the negative domain, and vice versa in the second version.

Scenarios 1 and 2 dealt with the difference between known and unknown probabilities, whereas scenarios 3 and 4 dealt with the difference between a familiar and an unfamiliar process.

### **Known and unknown probability distribution**

#### *✓ Scenario 1 (vacation/military service)*

*Positive framing: Out of 90 students, 30 students will win a prize of a 1-week stay in Europe, all expenses included. The lottery is done by drawing a ball from an urn. The urn contains red, black, and yellow balls. In total, there are 90 balls, out of which 30 are red and the rest (60) are black or yellow. You can choose between getting the prize by drawing a red ball or by drawing a yellow ball. What would you prefer?*

Negative framing: After one month of a difficult reserve military service in a remote, hot, and dusty area, it is necessary to choose, out of 90 soldiers, those who would have to stay for an extra week and those who could go back home. The lottery is done by drawing a ball from an urn. The urn contains red, black, and yellow balls. In total, there are 90 balls, out of which 30 are red and the rest (60) are black or yellow. You can choose between being selected to stay the extra week by drawing a red ball or by drawing a yellow ball. What would you prefer?

#### *✓ Scenario 2 (health)*

Positive framing: Two young Israelis traveled in Africa. Their families received an alarming message that they are hospitalized in a local hospital. One suffered from Meningitis type A, for which the chance of recuperating is 70%, and the other from Meningitis type B, for which the chance of recuperating is between 50 and 90%. The telephone connection with that country is out of order. Which family feels better?

Negative framing: Two young Israelis traveled in Africa. Their families received an alarming message that they are hospitalized in a local hospital. One suffered from Meningitis type A, for which the mortality rate is 30%, and the other from Meningitis type B, for which the mortality rate is between 10 and 50%. The telephone connection with that country is out of order. Which family feels better?

In scenario 1, we extended the original Ellsberg experiment to the negative domain. Like Ellsberg, we expected our subjects to demonstrate aversion to ambiguity and to prefer the option with known probabilities over the one with vague probabilities. The explanation to such a behavior can be found in the words of Ellsberg himself: "What is at issue (here) might be called the ambiguity of information, a quality depending on the amount, type, reliability,

and "unanimity" of information, and giving rise to one's degree of 'confidence' in an estimate of relative likelihoods." (Ellsberg, 1961, p. 657).

Also, in scenario 2, the subjects had to choose between two options, one with known probabilities and the other with less accurate probabilities. Similar to scenario 1, we expected our subjects to demonstrate aversion to ambiguity and to prefer the option with known probabilities over the one with vague probabilities.

In the negative domain, however, we expected just the opposite results in both scenarios. Kahn and Sarin (1988) found that, in a consumer choice context, subjects were ambiguity-averse in the gain domain and were ambiguity-prone in the loss domain. Similar to the Prospect Theory (Kahneman and Tversky, 1979), we assumed that, when people have to make decisions concerning negative outcomes, they would prefer to be less responsible, more ignorant, and would rely (mostly for an excuse) more on uncertainty.

## **Results**

Ambiguity aversion was measured on a 7-point scale where 1 refers to "extreme ambiguity aversion" and 7 to "extreme ambiguity seeking." As expected, ambiguity aversion was stronger in the vacation question (positive framing of scenario 1) ( $M = 3.04$ ,  $SD = 1.61$ ) as compared with the military reserve question (negative framing of scenario 1) ( $M = 3.86$ ,  $SD = 1.65$ ), ( $t(327) = 4.52$ ,  $p < 0.001$ ; see Table I).

As expected, ambiguity aversion was stronger in the health question framed positively using the recuperation chance ( $M = 4.01$ ,  $SD = 1.9$ ) as compared with the negatively framed question using the mortality chance ( $M = 4.52$ ,  $SD = 1.69$ ), ( $t(229) = 2.09$ ,  $p < 0.02$ ; see Table I).

## **Familiar and an unfamiliar process**

### *✓ Scenario 3 (monetary)*

Positive framing: An Israeli scholar was awarded a prize by the government of South Korea in the sum of ten million Won, which equals, more or less, the value of 6000 Euros. She will receive the award a year from now, but should decide now in which currency to get the prize, Won or Euro. What would you choose?

Negative framing: An Israeli traveler was fined while in a trip in South Korea in the sum of ten million Won, which equals, more or less, the value of 6000 Euros. She has to pay the fine within a year but has to decide now in which currency to pay the fine when it is due, Won or Euro. What would you choose?



✓ *Scenario 4 (survival)*

Positive framing: An Israeli traveler and an Italian traveler were captured by a cannibal tribe in Papua New Guinea. The tribe is known for killing 50% of the white people it captures. The procedure of choosing the one to be freed is either by flipping a coin or by blowing feathers to the wind by a local priest. In that "blowing in the wind" procedure, the chances are also 50-50 on the average. If you were the Israeli traveler, in what procedure would you prefer the free person to be determined?

*Negative framing: An Israeli traveler and an Italian traveler were captured by a cannibal tribe in Papua New Guinea. The tribe is known for killing 50% of the white people it captures. The procedure of choosing the one to be killed is either by flipping a coin or by blowing feathers to the wind by a local priest. In that "blowing in the wind" procedure, the chances are also 50-50 on the average. If you were the Israeli traveler, in what procedure would you prefer the victim to be determined?*

According to the Exposure Effect (Zajonc, 1968) people tend to prefer options that they are familiar with. Ganzach (2000) has shown that people preferred investing in known ventures such as stocks of the NYSE rather than stocks of less known markets. Attitude toward ambiguity was also explained by the perceived competence of the decision maker or the salience of limited knowledge (Frisch and Baron, 1988; Heath and Tversky, 1991). Similarly, Grieco & Hogarth, (2004) show that people make more ambiguous choices when ambiguous probabilities are related to domains in which they feel competent. The idea is that missing information could consequently lead to greater blame or regret, if the decision proves to be a poor one (Kuhn and Budescu, 1996). In the negative domain, however, ambiguity can serve as an excuse or a justification against regret.

In scenario 3, in cases, reward or fine, the subjects had to choose between the won (unknown currency) and the euro (more familiar to Israeli students). We expected that, in the reward (positive) case, the subjects would reveal aversion to ambiguity and would prefer the euro option. On the other hand, we expected that, in the fine (negative) case, the subjects would reveal ambiguity seeking and would prefer the won option.

In scenario 4, the subjects had to choose between an unknown probability-generating process and a known one. There is no ambiguity in tossing a coin. We expected that, in the "freeing" (positive) case, the subjects would reveal aversion to ambiguity and would prefer the coin option. On the other hand, we expected that, in the "being cooked" (negative) case; the subjects would reveal ambiguity seeking and would prefer the "feather" option.

## Results

As mentioned above, ambiguity aversion was measured on a 7-point scale where 1 refers to "extreme ambiguity aversion" and 7 to "extreme ambiguity seeking". As expected, ambiguity aversion was stronger in the reward version of the Korean question ( $M = 2.49$ ,  $SD = 1.78$ ) as compared with the fine version ( $M = 4.28$ ,  $SD = 1.85$ ), ( $t(327) = 8.82$ ,  $p < 0.001$ ; see Table I). As expected, ambiguity aversion was stronger in the survival version of the Papua New Guinea question ( $M = 4.02$ ,  $SD = 1.58$ ) as compared with the negatively framed question using mortality chance ( $M = 4.34$ ,  $SD = 1.59$ ), ( $t(327) = 1.84$ ,  $p < 0.03$ ; see Table I).

### Summary of results and discussion

Table I summarizes the differences between subjects with regard to the attitude toward ambiguity in the positive and negative domains.

	Positive domain (Mean $\pm$ SD)	Negative domain (Mean $\pm$ SD)	t	SMD Cohen's d
1) Ellsberg's jug	3.04 $\pm$ 1.61	3.86 $\pm$ 1.65	4.52 **	0.50
2) Health: 70% or 50-90% Death: 30% or 10-50%	4.01 $\pm$ 1.9	4.52 $\pm$ 1.69	2.09 *	0.28
3) Won or euro	2.49 $\pm$ 1.78	4.28 $\pm$ 1.85	8.82 **	0.99
4) Survival: coin or feathers	4.02 $\pm$ 1.58	4.34 $\pm$ 1.59	1.84 *	0.20

\*\*significant at the 0.01 level; \* significant at the 0.05 level.

Table 1. *Ambiguity preference for positive and negative scenarios (1=extreme ambiguity aversion and 7=extreme ambiguity seeking).*

As seen in Table I, across all scenarios, ambiguity preference was significantly higher in the negative domain than in the positive domain. Notice the very high size effect (SMD coefficient) of question 3 and the high coefficient of question 1.

The results shown in Table I are illustrated in Figure I below.

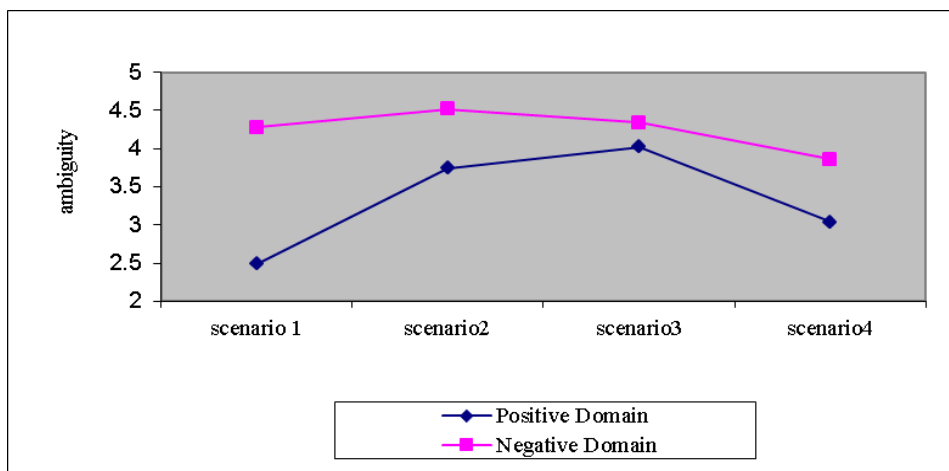


Figure 1. *Ambiguity preference between subjects*

As mentioned above, each subject answered four questions concerning the four scenarios; two in the positive domain and two in the negative domain. Thus, there were two versions of the questionnaire. In the first version, scenarios 1 and 3 were framed in the positive domain and scenarios 2 and 4 in the negative domain, and vice versa in the second version.

In addition to the *between-subject* analysis described above, we also analyzed the *within-subject* difference of the attitude toward ambiguity between the positive and the negative domains. The *within-subject* design eliminated better the personal differences of the participants. As in the *between-subject* design, where we expected, and found, differences between the two groups, one answering a positively framed question and the other answering a negatively framed one, in the *within-subject* design, we expected to find a difference between the positively framed questions and the negatively framed questions for each subject. For each participant, we calculated the average score of the two positively framed questions and of the two negatively framed questions. We then compared these two figures (using T test paired samples) for each version, separately. Notice that scenarios 1 and 2 deal with the difference between known and unknown probability and scenarios 3 and 4 deal with the difference between a familiar and an unfamiliar process. In version 1, the known/unknown probability stories (scenarios 1 and 2) were positively framed, and the familiar/unfamiliar stories (scenarios 3 and 4) were negatively framed, and vice versa in version 2.

Figure II illustrates the attitude toward ambiguity of the subjects in the two versions.

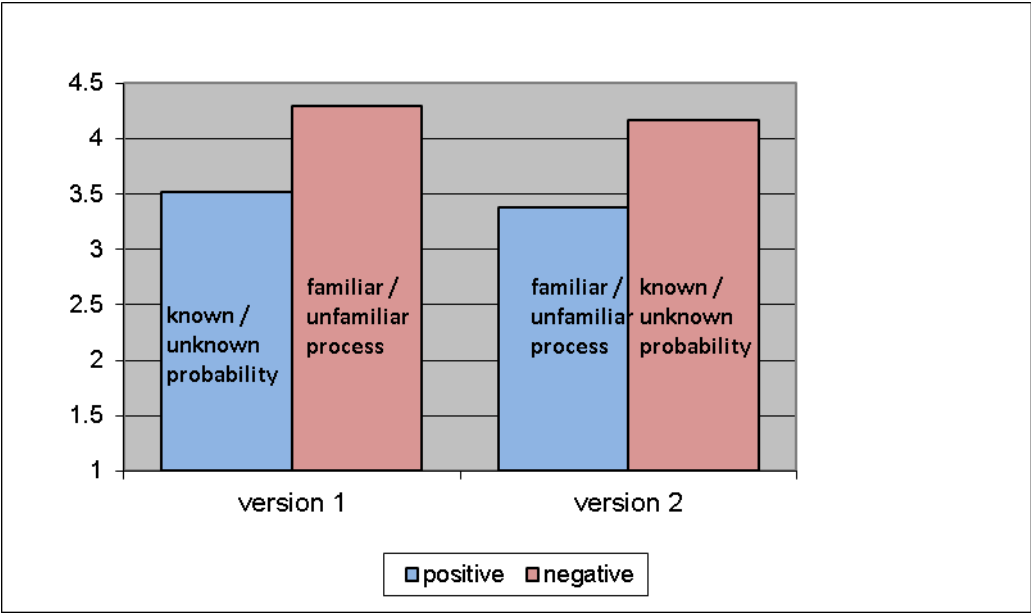


Figure 2. *Within-subject ambiguity preference*

As seen in Figure II and, as expected, the subjects exhibited higher preference for ambiguity in the negatively framed questions than in the positively framed questions. The phenomenon

was found in both versions, regardless of the nature of the scenarios, namely, in the known/unknown probability scenarios and in the familiar/unfamiliar scenarios.

## **Conclusion**

This study examined people's attitude toward ambiguity. We found significant differences between the positive and the negative domains. The experimental results show ambiguity aversion in the positive domain. These results are consistent with the literature beginning from Ellsberg (1961) and onward. However, in the negative domain, our subjects showed ambiguity seeking in all experiments compared with equivocal findings in research so far.

In the *between-subject* analysis, we compared the same questions but in positive versus negative framing, across all subjects. In all scenarios, we found that ambiguity aversion was lower in the negative domain than in the positive domain.

In the *within-subject* comparison, we analyzed the four answers of each subject. Again, we found that the subjects demonstrated higher aversion to ambiguity in the positively framed questions. Moreover, our subjects demonstrated ambiguity seeking in the negatively framed questions. These results were independent of the type of ambiguity embedded in the scenarios, i.e., in one version, the known/unknown probability stories were positively framed, and the familiar/unfamiliar stories were negatively framed, whereas in the other version, the known/unknown probability stories were negatively framed, and the familiar/unfamiliar stories were positively framed.

This study shows similarities between attitude toward risk and that toward ambiguity. Similar to the Prospect Theory that shows a major difference between decisions in the positive and in the negative domain, we found that people show aversion to ambiguity in the positive domain but will show preference to ambiguity in the negative domain. A possible explanation is that, in the negative domain, ambiguity can serve as an excuse or a justification against regret. When people have to make decisions concerning negative outcomes, they would prefer to be less responsible, more ignorant, and relying more on uncertainty.

Rational thinking assumes that more information is better than less. More and more current research shows that, in many cases, ignorance is bliss (Camerer et al., 1989; Birch, 2005; Ehrich and Irwin, 2005). For example, Yaniv et al. (2004) showed that only about half of young students wished to know if they were carrying the genes of the lethal and incurable Huntington disease. In a research that we have just begun, participants were asked whether they would like to know the exact date of their death if such a possibility was available. Most

subjects preferred to avoid such information, and more strongly regarding their children and other family members.

Based on our results, we dare to claim that, when dealing with decisions in a negative environment, people will often prefer knowing less than more.

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# **ARTISTIC FREEDOM: LESSONS IN INTRAPRENEURSHIP DRAWN FROM THE FINE ARTS**

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## **Abstract**

In their pursuit of intrapreneurship, organizations have to deal with various internal and external barriers. One challenge is to create working conditions that allow individuals' creativity and innovativeness to develop and unfold in organizational contexts. Although companies like Google, SAP or Deutsche Telekom implement diverse working arrangements to foster intrapreneurship, little is known in theory about the actual space and the surroundings employees need for innovative work. In this paper, inspiration for designing an intrapreneurial firm is drawn from the fine arts. What could managers learn from artists? By means of qualitative interviews with ten artist-managers, all of whom combine a professional artistic and managerial profile, the study explores factors that promote ideation and effective creation. In addition to further developing the existing integrated model of intrapreneurship proposed in the literature, we introduce the notion of artistic freedom into the organizational context.

***Keywords: Intrapreneurship, Innovation, Creativity, Artistic Freedom, Design Thinkin.***

## **Introduction**

Intrapreneurship, also referred to as corporate entrepreneurship, relates to a process by which members of existing organizations discover and exploit opportunities without regard to the resources they currently control (Stevenson & Jarillo, 1990). The concept embraces the dimensions of innovativeness, proactiveness, new business venturing, self-renewal and risk-taking (Antoncic & Hisrich, 2001). Through new products, services, management techniques or technologies (Schumpeter, 1911), intrapreneurship stimulates organizational growth and profitability (Mokaya, 2012; Zahra, 1991). Beyond that, the innovative component of corporate entrepreneurship can positively affect organizational resilience and long-term survival (Dewald & Bowen, 2010; Drucker, 1985).

The actual occurrence of intrapreneurship depends to a large extent on an organization's culture, structure, and leadership (Covin & Slevin, 1991; Hornsby et al., 1993; Ireland et al., 2009; Zahra, 1993). Factors in those three contexts promote or hinder the potential of the intrapreneurial spirit to grow and yield fruit. With regard to organizational culture, critical inhibitors are organizational obstacles and individual resistances that result in an inward focused, inflexible and non-long-term oriented organizational culture. The two extremes in organizational structure of having a very high or a very low degree of formalization both inhibit the liberation of creative and innovative forces amongst the members of an organization. The same holds true for missing support from the management team and an inappropriate incentive system (Schoenebeck & Kratzer, 2010). Obviously, creating an ideal environment for the type of behavior typically found in a startup is a challenge for "grown-up" organizations. And although the existing literature proposes suggestions on how to foster creativity and innovativeness within companies (Aaltio et al., 2006; Eesley & Longenecker, 2006), little is known about the ideal design of intrapreneurial organizations. Regarding Human Resources Management (HRM), it still remains unclear how to manage the individual space provided to employees, allowing them to unleash and implement their creative potential. In practice, we observe various initiatives for liberating entrepreneurial energies within organizations. Increasingly popular are flexible working arrangements, which require measures that impact organizational structure and leadership. Certainly the most famous example of flexi-time is Google: Its 20-Percent-Rule allows for investing one day a week in personal (but company-related) projects. Google News, Adsense and Gmail are some of the products to come out of that initiative. Granting extended freedom for solving tasks can result in higher motivation and creativity (Amabile et al., 1996). Balancing the two poles of providing creative



freedom to the individual and controlling for innovative outcome for the company in such scenarios, though, is not an easy task. A similar intent as in the Google case, but with an unknown outcome, can be observed at Deutsche Telekom. The new economy branch of the German corporation grants one “recreativity day” per quarter to its employees in order to foster recreation for creative output. The outcome has yet to be measured or incentivized.

Next to temporal freedom, models that also embrace spatial freedom are not only relevant for keeping a good work-life balance, but might also be the key to bringing fresh inspiration and customer insights into a firm. The latter is the starting point for Human Centered Innovation and its most prominent method, Design Thinking (Plattner et al., 2009). SAP and Deutsche Bank are just two examples in the corporate world that train their employees in design-oriented methods aiming at increasing the firms’ creative capacity.

### *Research Methodology*

In an integrated model of intrapreneurship proposed by Mokaya (2012), three different areas of influence are identified: (1) individual characteristics of the members of an organization, (2) organizational characteristics, and (3) external characteristics concerning the market environment. “Precipitating events” are regarded as triggers for intrapreneurship. How those events actually and ideally look remains unclear. The aim of this paper is to shed light on those “events”, or factors that possibly initiate and foster intrapreneurial processes. An outcome of the study will be concrete recommendations for an intrapreneurial design of organizational characteristics, specifically with regard to HRM.

Despite the focus on the organizational level, we are applying a micro approach in order to generate knowledge about necessary conditions for creative flow and intrapreneurial behavior of employees. In doing so, we will take a closer look at the space and instruments individuals need for effective ideation and creation. In our research endeavor, we will build on the experience of artists belonging to the classical fields of the fine arts: painting, sculpture, architecture, music and poetry. Artists in those fields are an interesting source of inspiration for management and entrepreneurship scholars, as in most cases they depend on both: creativity as well as output. “What can managers learn from artists?” is the central question explored in the first round of data generation. Qualitative interviews will be conducted with ten artist-managers, i.e., individuals who are both in a leadership position and practicing professional artists. One of our interviewees is Gabriela von Habsburg, professional sculptor, academic teacher and former ambassador to Georgia. The interviews will provide valuable insights into

individual processes of inspiration, ideation and creation, which – thanks to the management background of all participants – are inherently transferred to the business context.

This first study, which builds the core of the present article, constitutes the groundwork for a second survey, where 50 artists will be asked to describe the processes and the individual and environmental conditions in two extreme scenarios: (1) a highly satisfying workday (in terms of creativity and productivity) and (2) a highly unsatisfying workday. Data generation will be conducted via online chats using the Critical Incident Technique, a qualitative research method particularly well suited to examining human behavior in practical, work-related contexts (Flanagan, 1954). We plan to analyze the data set via Qualitative Comparative Analysis (QCA; Ragin, 1987). For extended interdisciplinary transfer of the knowledge gained in the first two rounds of inquiry, a quantitative survey will be launched as a third step, targeting firms that apply (or do not apply) methods for effective creativity identified in the artistic environment.

#### *Theoretical Contributions and Practical Implications*

By means of such a comprehensive and multifaceted data set, we expect our three studies to contribute to the theoretical elaboration of entrepreneurship and artistic freedom in the organizational context. The preconditions of creative work drawn from the fine arts will be transferred to the organizational context. The integrated model of intrapreneurship (Mokaya, 2012) will be extended and specified by parameters we have found out in our study. On the basis of the results of the qualitative interviews, and in line with an aesthetic view of entrepreneurship (Sherdin & Zander, 2011; Weiskopf, 2007), we introduce the notion of artistic freedom into the intrapreneurship literature. Artistic freedom generally relates to the freedom of conducting actions of artistic expression and creativity, as well as of disseminating the respective outcome of such processes (United Nations, 2013: 18). Our results will provide a definition of artistic freedom for the organizational context and define variables for further inquiry.

Apart from the theoretical contributions, our research will provide practical lessons for HRM, with special regard to the establishment of favorable incentive structures. With an increased understanding of how creativity is generated and what can be done to promote its flow and manifestation in innovative outcomes, we will propose HR strategies and instruments for fostering individual entrepreneurship in the organizational context.

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# MANAGING THE 21ST CENTURY UNIVERSITY: FROM COMMODIFICATION AND ENTREPRENEURSHIP TO HRM- ISATION?

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## Introduction

This study examines the proposition that the influence of HRM in the management of contemporary universities has increased its significance beyond strategic value to becoming a key facet of university management. This takes an `HRM-as-Practice` perspective (Bjorkman et al, 2014). This paper challenges this view of HRM as a limited and limiting source of expertise in universities. This research is informed by a system of professions perspective (Abbott, 1988). This study uses case study research which reveals that universities are undergoing the experience of HRM-isation, which gives primacy to HRM thinking in the new corporate world of universities. The nature of and emergence of HR-isation are discussed below. Crucial antecedents of HRM-isation are the influence of markets in the commodification of higher education and the encouragement of entrepreneurial management in universities.

## Theory: The System Of Professions

The study of professions reveals a systematic process of acquiring and controlling knowledge which is subsequently exploited by different professional groups (Abbott, 1988). In this way, professions display on exclusiveness in their activities (Abbott, 1988; Burrage et al, 1990). They also use their expertise to secure considerable autonomy in the exercise of their duties (Becher, 1999). These facets of professionalization are enacted to secure control of particular markets (Dezelay, 1995; Becher, 1999). These activities secure both status and financial rewards for the members of professions (Abbott, 1988, Becher, 1999). This study focuses on HRM as a profession. It has been suggested that HRM practice is not a significant element in contemporary management and that the re-badging to HRM from its traditional descriptor of personnel management is an exercise in image building and an attempt to be regarded as more important than it is (Alvesson, 2013). This contention is examined in this study. The study is

located in universities, which have long been regarded as fertile ground for the fostering and establishing of professional groups (Abbott, 1988).

### **Research Context: Commodification And Entrepreneurship**

The idea of higher education as a commodity is now well recognised with the phenomenon of international markets in higher education (Oplatka, 2006). This may have started with the major English-speaking countries but is now extending to other countries. The presumption of this commodification is that prospective students are informed consumers making rational decisions on the array of degrees available to them. From the supply side, universities must plan the range of courses (or `products`) they offer to these customers. This business logic is changing the nature of the traditional approach to the management of universities (Palfreyman and Tapper, 2014).

One distinct feature of this corporate world is the manner in which business logic supplants collegiality and in which new forms of entrepreneurial thinking are facilitated and encouraged (Parker, 2013). The outcome of this development is a tension between traditional bureaucratic university administration and the fostering of a risk taking community which favours financial agendas and innovations which promote business growth. These facets of the brave new world of 21<sup>st</sup> c university management have created the space for the emergence of a more visible and important HRM function in universities.

### **Research Method**

This study has a two stage research approach. In the first instance, archival material which discusses contemporary developments is assessed. This material is academics reflecting on academe – the study setting of this investigation. Secondly, two case studies of UK universities have been undertaken. One of these universities is a post 1992 `new` university. The other university is one of the UK ancient universities. These case studies entailed the study of management processes in general and HRM in particular. During these case studies 20 interviews were held with senior managers, including HR officers.

### **Results: Hrm-Isation In Universities**

The new significance of HRM in universities is the recognition that the key resource of universities is its human capital. As labour intensive knowledge industries, the new corporate world of the 21<sup>st</sup> century universities entails the effective management of this key resource. In this process, primacy may appear to rest with the management of the university. However, in practice, HRM now offers a significant presence in the modern university. This influence

ranges across the point of entry of academic staff into institutions and to the exit, particularly the velocity of exit of such staff from universities. In the management activity of the modern university, HRM policies constrain, limit or advise and steer management actions. The HRM presence in the appointing committees of senior staff is indicative of point of entry influence. As are the HRM designed criteria schedules which form the basis of committee decisions. At the exit stage, HRM advice shapes the treatment of staff are considered surplus to requirements. These policies may be seen as informed and sensible. They may also be seen as actions to protect institutional reputation.

The omnipresence of HRM shapes management thinking and creates a defensive, risk-avoiding approach to management. This is most acute in the single most important challenge in the management of the contemporary university: performance management of its staff (Arnaboldi, Lapsley and Steccolini, 2015). The HRM implications of this management priority are immense. This covers the level, range and mix of incentives available to staff; the penalisation of underperforming staff, including reclassification of contractual status and possible dismissal. It also extends to a casualisation of employment status with short term, temporary or even hours to be notified contracts for certain categories of staff. The fall out of the performance management evaluation process may lead to staff stress with accompanying claims of bullying or harassment. This is the reality of life in many 21<sup>st</sup> c universities.

## **Conclusion**

Universities are intrinsically interesting organisations. This has attracted significant scholarly studies which have mapped the transformation of old style bureaucratic institutions into new style managerial entities. While the reconfiguring of universities in this way can be seen as an outright case of managerial domination over old styles of administration, this simplifies the events of recent years. The nature of universities is that they are both labour intensive and complex entities to manage. This particular combination has created the space for a new significance for HRM in universities.

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# ARAB SEAM CONSULTANTS: AN ADDED VALUE

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## Abstract

This paper argues that local Arab consultants applying the Socio Economic Approach to Management (SEAM) are more likely to succeed in their Arab world based interventions than their Western counterparts, given the same levels of business, technical and consulting know-hows. This paper provides evidence that SEAM, a specific type of value-based Organization Development, is better implemented on the hands of local consultants familiar with the Arab culture and language with all their intricacies.

**Keywords:** *Arab, SEAM, consultants, Arabic language, Islamic work ethic.*

## **Introduction**

Consultancy services are mushrooming in the Arab region, particularly in the MENA region and the GCC area. Many of which are offered by Western enterprises and bought by local companies. Services offered range from general organizational development interventions to particular HR, auditing, accounting, technological, strategic, marketing, communication, or PR services among others. It seems that being labeled as Western is an advantage in guaranteeing contracts for consultancy. However, if one looks at the longer term, no big improvements are necessarily resulting from these interventions. There might be a variety of reasons hindering the success of these adopted solutions. This paper argues that one general underlying reason for the failure of these adopted solutions is the Western consultants' misunderstanding of the local socio-cultural Arab contexts, which is grass-rooted in the intricate Arabic language that is highly required for proper communication between the consultants and company personnel; as well as the misconception of widespread cultural and Islamic work practices affecting work.

This paper argues for the suitability of Arab interveners to carry out the consultancy work at the Arab companies due to their background, native language, comprehension of social etiquettes, and understanding of specific Arab cultural values. The subsequent section of the paper will introduce the specific features of the Socio Economic Approach to Management (SEAM) to prove that it is value laden. The following section will discuss the Arab context, followed by a discussion of all the various factors favoring the selection of an Arab consultant. These discussions were revealed through a critical review of the literature that dealt with the Arab culture, Arab language, Islamic Work Ethic (IWE) among others to collectively point to the necessity of employing local consultants. Finally, the conclusion will discuss the practical implications of this conceptual paper.

## **Background of the study**

The Socio Economic Approach to Management (SEAM) is based on a set of values different from those reigning in traditional management practices. SEAM accounts for both the financial health of the company and the welfare of the employees (Conbere and Heorhiadi, 2011). SEAM is similar to the American Organization Development practices, with few but major differences rendering it a more holistic approach (Conbere and Heorhiadi, 2011). Organizational Development could be explained as organization wide efforts, aimed at increasing organizational effectiveness through planned interventions in various organizational processes (Bekhard, 1969).

While other Organization Development (OD) consultants presume that hidden costs are present in any organizational setting, the SEAM consultants go all the way to offer a systematic approach to measure these hidden costs. A hidden cost is any cost that is not explicitly stated on the company information systems, such as absenteeism, work-related injuries and diseases, staff turnover, productivity gaps and quality related problems (Savall and Zardet, 2008). SEAM works on generating long term positive changes in the organization, by capitalizing on transformational rather than transactional dealings. For change to be positive and long-lasting, all actors (employees and directors) affected by the change should be involved in steering it. Thus, SEAM is participative in nature, rather than autocratic (Conbere et al, 2012). Collaboration is revealed through top-management support and employees' engagement in pinpointing and reducing hidden costs. SEAM is feelings-based as much as it is resource-based, whereby it cares for the growth and profitability of the company and equally cares for the welfare of its inhabitants. The underlying problems of the employees are revealed through the active listening of the interveners and their willingness to accept all points of view without setting blame on any particular player.

SEAM is a higher level approach to participative management that is shown through evidence to reveal great results for the adopting organizations. However, its complexity and wholeness renders it more difficult to apply. According to Likert (1967), "A science based management, such as System 4 (participative) is appreciably more complex than other systems. It requires greater learning and appreciable greater skill to use it well, but it yields impressively better results, which are evident whenever accurate performance measurements are obtained". Thus, many organizations are not willing to spare the time to apply a holistic participative approach such as the SEAM to reach good results (Conbere et al, 2012).

SEAM, in its own holistic, systematic, transformational and participative ways, is value laden. This raises questions about the closeness of fit of SEAM to the Arab culture, with its vivid history and settings (Golembiewski, 1991). It is noted by some that third world applications of OD have lower success rates than those of Western settings, without being able to make conclusive generalizations. "Neither OD designs nor cultures are homogeneous, and change objectives can differ radically from case to case in their urgency and acceptable probabilities of success, with each case requiring judgments to be made about closeness of fit" (Golembiewski 1991, p40). Similarly, Hofstede (1993) argues that the transfer of Western practices and theories to developing countries did not help much in their progress. More specifically, Ali (1996) pushes for the molding of OD to fit the Arab ways. He argues for

“developing an OD perspective that is relevant and effective in dealing with particular and peculiar cultural aspirations and problems” (Ali, 1996, p. 5).

Being a specific type of OD that has slowly evolved over a span of thirty years, SEAM is not that flexible to accommodate with different cultural perspectives and specificities. Having said this, the paper argues that the best way to adapt it to local cultures is through running it on the hands of a local agent. The next section will detail the specificities of the Arab context for better understanding.

### **Context of the study**

The Arab world is an immense, diverse civilization, made up of hundreds of millions of people, stretching from the northern part of Africa to the Arabian Gulf and from Sudan to the Middle East (Dedoussis, 2004). Researchers are not in agreement as whether to treat the Arab world as one entity or as different entities. Some alleged that many views and outlooks are shared by many Arabs and seem to invade national borders and social classes (Wilson, 1996; Dedoussis, 2004). However, many other authors believe that it is impossible to generalize across all Arab countries, since they are made of different ethnicities and nationalities (Lamb, 1987; Friedman, 2005). Even some researchers claimed that cultural differences can be found within the same country (Sidani & Gardner, 2000; Ali & Wahabi, 1995). It even seems that some organizations in the same cultural milieu differ greatly from each other due to various micro-level and socio-economic forces among others (Ali & Al-Shakhis, 1989).

The fit between value-laden OD and the culture of every organization represents a great challenge, which is magnified when Western practitioners have to carry out their interventions in the third world (Golembiewski, 1991). The good news is that many OD practices are varied and OD practitioners can introduce appropriate adjustments to fit particular contexts (Golembiewski, 1991). This adaptability is somewhat lacking with SEAM, since it is thought of as a systematic and holistic form of OD which has evolved over tens of years of action research in more than a thousand company. SEAM is built on the principle of generic contingency, which “postulates the existence of invariants that constitute generic invariants” (Savall, 2010, p. 2). This practically means that the intervener approaches the organizations with the assumption that they are all inflicted by common dysfunctions. These dysfunctions could be embedded in working conditions, work organization, communication-coordination-cooperation, time management, integrated training, and/or strategic implementation issues (Savall et al, 2008). Each of these six major dysfunctions embodies a multiplicity of sub-dysfunctions, which offer some flexibility to SEAM

interveners. However, the main outlet for adaptation to local culture remains in the hands of Arab SEAM interveners who are fit to function in their native culture.

## **Discussion**

Employing local SEAM interveners to do consultancy work in the Arab region is believed to increase the odds of success of the intervention for all of the following reasons.

### *Sensitivity to local cultural settings*

The reputation of SEAM is definitely a plus in granting access to the organizations, yet “what and how” the intervener does things is the most relevant. Being familiar with the cultural qualities can often prevent social blunders and improve OD performance. And having a sensibility of what practices are more feasible in a certain context is a must. Some resort to sensitivity training to create better interactions conducive of change (Golembiewski, 1991).

The Arab culture is a complicated one, it has imported many Western and nonwestern practices including negative ones. One of these negative values is the condescending behavior of management towards its employees. It is denoted by the SEAM as the TFW virus (Cristallini, 2011). The virus results in “superiority-arrogance-brutality-exploitation-selfishness-ecocentrism-noncooperation manipulation” (Conbere et al 2012, p. 3). This virus is greatly shared by the Arabs, who even have a motto for it: *‘Mat Mohamand, ma ta’atlet emto’*. This motto literally means that “the Prophet Mohamand passed away, but his Empire thrives on”, but actually is used to indicate that every employee is replaceable in the workplace.

The imported views of the West are moulded with traditional practices and customs (Cunningham and Sarayrah, 1993). However, these customs are a patchy survival of several civilizations, which invaded and colonized many Arab countries (Ali, 2008). Authoritarian governments with foreign loyalties ruled after the end of these colonizations (Yergin, 1991). This further led to a cultural discontinuation, which had tremendous effect on the application of the Islamic work ethic (discussed later) and the general economic situation. “The supremacy of western colonial powers over the arab/Islamic lands, especially after the breakdown of the Ottoman empire, further reinforced cultural discontinuity and alienation” (Ali, 2008, p 17). These inherited cultural realities have an immense effect on the behavior of employees, thus impacting the whole organizational environment (Obeidat et al, 2012). OD interveners also have to watch out for the particular cultures of specific organizations, as these might differ from the national culture in which they are found (Golembiewski, 1991).

### *Better grasp of the cultural variables*

OD interveners need to have a deep understanding of the peculiarities of different cultures. Hofstede differentiated the worldly cultures by pinpointing various dimensions on which they alter. He identified the Arab countries by their large power distance, strong uncertainty avoidance, high collectivism, and their inclination towards femininity (Obeidat et al, 2012). Hofstede (1991) defines power distance as “a measure of the interpersonal power of influence between a superior and a subordinate” (p 98). Power is claimed by Hofstede to be centralized in the hands of upper management in the Arab world, which means weak or no delegation of authority, and lack of power and autonomy among non-senior managerial positions (Al-Rasheed, 2001). Arabs rank high on uncertainty avoidance, which implies that they are intolerant to uncertain and ambiguous situations (Hofstede & Peterson, 2000). Individualism-collectivism dimension refers to the extent to which individual interest reigns over those of the group or vice-versa (McCoy et al, 2005). Masculinity-femininity dimension relates to whether the individual ‘lives to work’ or ‘work to live’ (Hofstede, 2001). The Arabs are closer to the “feminine side of the continuum in that they care about establishing a friendly relationship with other people” more than being goal and performance oriented (Obeidat et al 2012, p. 515).

Time is not a big issue to the Arabs who are more oriented to their past (Kalliny & Gentry, 2007; Hofstede, 2001). They believe in fate and thus score low on the future orientation dimension. Nevertheless, this is more so at the societal level than at the organizational level, probably due to the higher level of education of the workforce and the demands of the job (Kabasakal & Dastmalchia, 2001). Yet the extent of this limited future orientation differs from one Arab country to another (Al-Rasheed, 2001). It is reflected in the lack of performance appraisal, absence of career paths and human resource planning (Obeidat et al, 2012).

#### *Improved understanding of prevailing societal and familial norms*

The Arab culture is highly characterized by attachment to family, where the loyalty of individuals is to their direct families, then to the bigger circle of extended family, tribe, and/or religious sect (Sidani & Thornberry, 2009). Accordingly, favoritism and nepotism are highly prevalent in Arab organizations (Ali, 1996). Employees are loyal to their recruiting superiors rather than to the organizational goals (Al-Rasheed, 2001). “In turn, the problem of the personalized superior/subordinate relationship can also lead to another serious problem which is the non-cohesive and less-elaborated organizational structure with Arab organizations,

which reflects the poor coordination and connection between tasks, jobs and positions inside the organization” (Obeidat et al 2012).

In this highly tribal culture, where the ruling motto is “me and my brother against my cousin; me and my brother and my cousin against the outsider” (Friedman 2005, p 326), there is a lack of trust in strange business partners much needed for economic growth. Many Arab countries, with the exception of some as Lebanon, Dubai and Bahrain, do not seem to ‘glocalize’ well (Friedman, 2005). Arabs are not ‘inward oriented’, meaning that they lack a sense of national solidarity, and where the rich are less interested in investing in their homelands for the sake of the development of their country and their fellow nationals (Friedman,2005). However, there seems to be a gradual positive change among the ranks of the more educated people, for they are sincerely debating these societal problems and promoting change (Ali, 1996).

#### *Better ability to understand the Islamic work ethic (IWE)*

Islam is one of the most important forces in shaping and regulating individual and group behavior in the Arab world (Ali, 1996). Ali (1996) states that, “Quranic principles and prophets’ prescriptions serve as a guide for Muslims in conducting their business and family affairs” (p. 6). “IWE is built on four primary concepts: effort, competition, transparency, and morally responsible conduct” (Ali, 2008, p. 12). Principles of equity and fairness, hard work, participation, consultation, loyalty, honesty and prohibition of bribes are all attended to in the Islamic scriptures (Dadfar, 1990). Hence IWE is simultaneously aligned with business drives and societal well-being.

However, adherence to Islam and to the Islamic work ethic (IWE) has had different levels of intensity and effect on people’s dealings throughout the times. The cultural discontinuity discussed earlier impacted a large part of the population and rendered them not fully aware of their Islamic principles, or not abiding by them in practice (Dadfar, 1990). “Islam has an innately positive view of hard work, but the endorsement of the work ethic reflects a commitment to rather than a practice of principles”(Ali, 1996, p. 15).Moreover, a Muslim’s behavior is not a total reflection of this encompassing religion, since the former is equally impacted by other political and economic ideologies imported from the West as those of capitalism, socialism and secularism (Al-Shaikh, 2003).

Nowadays, many Arabs are wary of the western practices and are trying to return to Islamic doctrines (Ali, 1996), with a big deviation in the approaches and the end results. The Arab-Israeli conflict, the Israeli occupation of Palestinian, the ruling authoritarian governments and

the deprivation of the young people from education and work opportunities have angered many Arabs and pushed them to seek change (Friedman, 2005). Nonetheless, the good people's intentions were stolen by extremists who resist any kind of change. They have "chosen to attack the very thing that keeps open societies open, innovating and flattening, and that is trust" (p. 394). They are doing anything they can to prevent women's empowerment, freedom of thought and inquiry; "They do not want to establish a workers' paradise, but rather a religious paradise" (p. 395). Any practicing consultant in the Arab world has to be deeply knowledgeable of all these strong religious effects, discontinuities, and misapplications. It is claimed that one has to play a low key role outside the organization, and be a true facilitator inside the organizational setting (Ali, 1996).

#### *Greater ability to relate language and talk to contexts*

Two major principles on which the socio-economic approach to management is based, besides generic contingency, are those of cognitive interactivity and contradictory inter-subjectivity (Conbere and Heordiadi, 2011). The former relates to the formation and enrichment of knowledge through interactions between the SEAM intervenors and the different organizational actors. For that to happen smoothly, the native language of the actors should be used ((Keats, 2000). Confirmed consent to conduct the intervention can be solicited through another language, since many Arab CEOs are proficient in foreign languages. However, lower level managers and employees may not be multi-lingual which possesses a real problem for conducting one-on-one or group interviews, much used in SEAM interventions.

The latter SEAM's principle of contradictory inter-subjectivity is based on the ontological stance that truth is socially constructed and context driven. The relation between text and context is of high importance, as language is seen as a form of social interaction (Gee, 2005). This is especially the case within the high-context nature of the Arab world. A high-context culture uses a communication mode in which people express messages indirectly and implicitly (Deresky, 2003). "In high-context cultures, feelings and thoughts are not explicitly expressed. Instead, one has to read between the lines and interpret meaning from one's general understanding... In such cultures, key information is embedded in the context rather than made explicit. People make assumptions about what the message means through their knowledge of the person or the surroundings" (p. 137). Accordingly, the need for the interveners' fluency in the language and the rich understanding of the contexts in which it is spoken is amplified.



In the process of summarizing the participants' discourses, especially in the case of a foreigner conducting the interviews, "the context-dependent nature and cultural logic of the answers are missed" (Talja, 1999, p. 4). As a result, this might undermine understanding and misrepresent facts . Any account of the world is tightly embedded in the background circumstances which led to its construction (Halliday, 1978). To have a better understanding of a text, researchers are sometimes even urged to use discourse analysis to look for variables that affected its production in the first place. These might be culture, context, personality traits, motivation, biography, career track and/or social relations (Gilbert & Mulkey, 1984). By relying on discourse analysis, the variability rather than the consistency of interpretations is revealed, which confirms with the contradictory inter-subjectivity of the SEAM. Any form of OD almost always focusses on the beliefs, outlooks, and organizational culture- 'the people variables' (Bennis, 1969). The integral but hidden starting positions on which an argument is based are of high importance for proper understanding of facts (Parker, 1992). Bondarouk and Ruel (2004) argued that "the value of the findings and conclusions is anchored in the intersubjective validity that means the endless openness and interchange between different types of data, participants' and researchers' interventions, interpretations and explanations, and diverse levels of analysis" (p. 6). Discourse is meaningless if taken in isolation. One should always relate it to the context that led to its commencement (Van Dijk, 1997).

It is argued that "the spoken or written discourse always lag behind what one wants to say, and if you are to understand what was said, you have to derive it from the inner speech lurking behind it" (Bondarouk & Ruel 2004, p. 2). Similarly, OD is a humanistic approach, where feelings and struggles need to be raised and treated as data rather than being discounted (Burke, 1982). Thus, understanding of the verbal and nonverbal cues of the actors is a must for proper situational analysis.

Fluency and familiarity with the Arabic language is a must for every OD consultant to perform effectively. The Arabic language is very complicated, with many differences in accents among different Arab regions. However, the greatest challenge remains in the big disparities between the oral spoken language and its official written form. A foreigner who studies the Arabic language becomes familiar with the latter form of the language, but that is barely sufficient to conduct talk and comprehend everyday language.

#### *Mastery of acceptable social skills*

This advantage greatly results from the former advantages enjoyed by local consultants. The ability of the Arab consultants to understand the Arab culture with all its complexities, to

speak the Arabic language, and to be familiar with the societal norms and traditions greatly enables them to avoid social blunders and facilitate productive interactions and involvement with various actors (Ali, 1996). It is well known that social skills and effective public relations are essential to the success of a change intervention. In Arab societies, once commitment is obtained there will be smooth implementations (p. 10). Dealing with “the warp and woof of social interaction, whether its features be idiosyncratic or relatively generic” is always a plus for the success of any OD intervention (Golembiewski, 1991, p. 47).

## **Conclusion**

Backed by the relevant literature, this paper argues for the recruitment of Arab SEAM interveners, who are culturally sensitive, linguistically fluent, and socially acquainted with the Arab ways. The paper provides evidence that employing local SEAM consultants in the Arab world will lead to higher success rates in terms of not only guaranteeing confirmed consent to carry out the interventions, but most importantly in analyzing the real embedded problems. A better understanding of the situation by relating feelings and opinions to contexts through text, is a very important step towards envisioning the solution, and prescribing the doable changes, and thus achieving success and sustainability of the intervention. Success, in turn, will lead to repeated adoption of the SEAM services, and more referrals (Rasiel, 1999).

Until new theories are envisioned for this part of the world or at least adapted to its norms and traditions, this paper favors the education and training of Arabs to practice the Socio Economic Approach to Management, among other OD approaches, and apply it in their homelands. Being armed by a holistic participative approach to management, and being locals capable of assessing the Arab pulse increases the odds of success for their intervention. The ongoing belief that ‘*Kil shi franji, brinji*’, which means that westerners are more fit than their Arab counterparts must be discounted.

Some might argue that the cross-cultural experiences of western interveners might make them more reflective of culture and the situation in general (Kearney, 2003). However, results show that the cultural insensitivity of these was quickly reflected in the abortion and death of the interventions. One could equally argue for using locals in any cultural context, as employing Turkish consultants in Turkish settings, yet more research should be spared for the topic.

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# GIVE ME THE FACTS AND LEAVE ME ALONE! TRACES OF FINNISH SPEECH CULTURE IN SALES-RELATED COMMUNICATION

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## **Abstract**

The article focuses on salesperson-consumer interaction and its connection to the national speech culture. More specifically, we explore speech codes embedded in sales-related communication in Finnish speech culture. The data of the study consists of 50 narratives reported by Finnish business students. The study combines participant observation research with narrative and discursive data collection and analysis methods. The results show that Finnish speech culture informs sales-related communication in three discourses: professionalism, appropriateness and independency. The results suggest that independency and *asiallisuus* [matter-of-fact] are central cultural codes related to the B2C sales context in Finland. Moreover, the results describe a cultural norm for sales-related communication in the same context.

***Keywords:*** *Salesperson-consumer interaction, sales-related communication, national speech culture, speech codes, narratives, discourses.*

## **Introduction**

Salesperson-consumer interaction lies at the heart of the sales process. The literature on sales gives general guidelines for good communication within the sales process (Moncrief and Marchall, 2005) and on consumer decision making (Blackwell et al., 2003). What can be considered as appropriate or successful sales interaction and communication depends on the social and cultural context in which that communication occurs (Miller, 2002). We suggest that the salesperson-consumer interaction and the related communication can be partly explained by the speech culture in which it is embedded. We claim that the cultural environment has an impact on consumers' perceptions of successful or unsuccessful sales-related communication. Managers are therefore required to guide their sellers to build sales relationships including a deeper understanding of speech culture.

In this study, we explore speech codes embedded in sales-related communication in Finnish speech culture. Our aim is to investigate how sales-related communication and national speech culture influence each other in different sales situations. Finnish speech culture has some unique and interesting features, such as factual orientation, appreciating *asiallisuus* [matter-of-fact] (Wilkins, 2009), and appreciating independence (Poutiainen and Gerlander, 2009). We apply speech code theory as a theoretical lens to analyze the meanings, values and norms attached to the sales-related communication described in the narratives of Finnish consumers and analyze the discourses embedded in these narratives. Through the analysis of discourse, we target a more specific research question: How are speech codes embedded in the descriptions of sales-related communication in the Finnish B2C context? We approach culture as a code of values, meanings, and behavioral norms that constrain but do not dictate the communication of members of a culture (Philipsen, 1997).

## **Research Into Sales-Related Communication**

Researchers produce a good body of scholarly knowledge about business-to-business (B2B) communication mostly focused on the context of selling (Hung and Lin, 2013). Although interpersonal communication between salespersons and consumers has been recognized as an important element of the sales process (Moncrief and Marchall, 2005; Mason and Leek, 2012), the B2C relationship has been far less studied than have B2B relationships. Moreover, the salesperson-consumer interaction within the personal selling process has remained unexplored from the consumer's perspective (Evans et al., 2012).

Studies on salesperson-consumer interaction have investigated the salesperson's communication skills, e.g. listening skills and impression management skills (Malshe and

Pryor, 2004), the salesperson's use of influencing tactics (Evans et al., 2012), and consumers' expectations of the salesperson (Williams and Semineiro, 1985). Therefore we know about a number of the key elements of successful sales in B2B contexts (Abratt and Kelly, 2002; Hung and Lin, 2013). Although some specific theoretical approaches have been used to explore salesperson-consumer interaction e.g. the contingency framework proposed by Weitz, (1981) and facework (Planken, 2005), speech code theory has not been applied to the study of sales-related communication. That is why little is known about how salesperson-consumer interaction is linked to the cultural behavioral norms that the consumers associate with appropriate communication within the sales process. It is important to investigate cultural behavioral norms in order to understand what kind of salesperson-consumer interaction is valued in different cultures and how managers can guide their sellers to successfully communicate with their consumers.

### **Speech Code Theory And Finnish Speech Culture**

The speech code framework attempts to identify the speech codes that enable and constrain communicative interaction within a particular speech community. The theory posits a way to discover and describe traces of culture in communicative conduct. Speech codes are defined by Philipsen (2008, p. 273) as "*historically situated and socially constructed systems of words, meanings, premises, and rules that people use to talk about their own and others' communicative conduct*". The speech codes framework conceptualizes culture as a code system that lays out meanings and ideals (Miller, 2002). Culture is seen as a socially constructed and historically transmitted pattern of symbols, meanings, premises, and rules (Philipsen, 1992). Thereby culture functions to guide and constrain behavior, to coordinate behavior in a recognizable way, and to integrate and bind cultural members (Miller, 2002).

Philipsen (1992; 1995; 2008) and co-workers (2005) formulated six theoretical statements that form the core of speech code theory. They firstly state that wherever there is a distinctive culture, there is to be found a distinctive speech code. Secondly, they state that every individual will encounter multiple speech codes during a lifetime and that more than one speech code is used in one society. Thirdly, in every speech code the words, meanings, premises, and rules pertaining to communicative conduct are systematically linked with the nature of people and of social relationships. Fourthly they state that the significance of a particular communicative act is contingent upon the speech codes used to constitute the meanings of communicative acts. Fifthly, their proposition shows that the words, rules, and premises of a speech code are inextricably woven into the communicative conduct. Thus this



proposition causes us to look and listen to the communicative conduct and search for the usage of a cultural code or codes. Lastly, the theory states that people use speech codes not only to interpret communicative conduct, but also to evaluate it as being good or bad, to explain it, and thereby to justify it.

According to a commonly held stereotype, Finns are silent, slow and reserved as oral communicators (Wilkins and Isotalus, 2009). Finns are also depicted as poorly equipped to speak in public forums. Therefore, the stereotype gives a rather negative impression of Finns as communicators. Finnish speech culture has been explored with the focus on foreign language acquisition (Berry et al., 2004), political communication (Isotalus, 2009b), communication in public and civic settings (Wilkins, 2005), educational communication (Poutiainen and Gerlander, 2009; Wilkins, 2009), courtroom communication (Välikoski, 2009), supportive communication (Virtanen, 2009), the silence of the Finnish sauna (Puro, 2009) and business communication (Vaahterikko-Mejía, 2009). In addition, Carbaugh (1995; 2009) explored cultural terms for talk and especially silence and quietude as a Finnish “natural way of being”. The above mentioned earlier studies indicate that the main function of discussion in Finnish culture in general is to maintain harmony (Sallinen-Kuparinen, 1986; Isotalus, 2009b). Carbaugh (1995) likewise observed that in Finnish culture it is desirable to avoid contentious or conflicting themes. Furthermore, Finnish speech culture is often seen to be task centered (Isotalus, 2009b) and oriented towards matter-of-fact (Wilkins, 2005; 2009). Few studies suggest that there might be speech codes in Finnish speech culture. Wilkins (2009) explored a speech event identified as *asiasta puhuminen* [hereafter ‘matter-of-fact’] in scenes for adult education in Finland. His conclusions show that the ‘matter-of-fact’ event evokes an impersonal and infocentric structure for public participation in settings for adult education in Finland when compared with more egocentric and sociocentric motivations for speaking in other communities. Furthermore, a study concerning Finnish advisor–advisee relationships concluded that advisory talk focused on values related to independence and fact-orientation. Therefore, the authors suggest that independency and ‘matter-of-fact’ can be approached as cultural codes. (Poutiainen and Gerlander, 2008). Previous studies have not explored Finnish speech culture specifically in B2C sales contexts. Therefore, we explore speech codes embedded in sales-related communication in Finnish speech culture, and we argue that sales managers and sellers need more understanding of the influence of speech culture on sales communication between consumers and sellers.

## **Method**

### *Study design*

The study combines participant observation research with narrative and discursive data collection and methods of analysis (Eriksson and Kovalainen, 2008; Makkonen et al., 2012). The data for the study consists of 50 short stories reported by different business students (aged 21 to 59) who worked as research assistants during this study. In the stories, they describe sales processes focusing on consumers and the salespersons' communication during the sales process. Participant observation was conducted in stores or hypermarkets selling typical consumer goods such as domestic appliances, sports accessories and clothing.

The logic of producing narratives based on participant observation of consumer-salesperson interaction lies in several issues. First, narratives provide a meaning structure for the organizing and understanding of human life (Polkinghorne, 1988). Second, narratives are based on individual experiences and draw linguistic resources from the shared cultural knowledge base (Rappaport, 2000). Third, narratives easily emerge from the interaction between the storyteller and the environment (Bruner, 1986). In narratives, people recount their lives, experiences and concerns combined with real events in their environment (Polkinghorne, 1995). The method can be regarded as being very useful in the investigation of speech codes and communication practices in sales.

### *Analysis*

Our aim is to identify context specific discourses that the narratives produce when describing salesperson-consumer interaction. The motivation for this type of analysis lies in the discursive nature of narratives; narratives are both informed by institutionalized discourse and contribute in turn to producing discourse (Makkonen et al., 2012). The discourses were built in the basis of three narratives below. They define how people think and talk about sales-related communication. Discourses produce cultural meanings (see Eriksson and Kovalainen, 2008, p. 227) attached to sales. In practice we detected how discourses related to the meanings of the communication are constructed in the narratives and how the discourses draw on the characteristics of Finnish speech culture and the speech codes that prior research claims to be typical in Finland.

We first analyzed the contents of the narratives inductively and identified thematic discursive elements of the narratives. A theme was defined as a consistent trend emerging from the data (Makkonen et al., 2012). Thereafter we compared the themes that we identified from the

narratives in order to categorize them. Through the comparison, we identified three categories of narratives, which describe the salesperson-consumer interaction in distinctively different ways. The narratives in the first category (32 out of 50) describe a situation in which the salesperson withdraws from the interaction with the consumer. The second category narratives (5 out of 50) outline a situation in which the salesperson participates in interaction with the consumer. The third category narratives (13 out of 50) describe a situation in which the salesperson cooperates with the consumer. We then chose one versatile narrative from each category for a detailed discursive analysis in order to ascertain more minutely how Finnish speech culture informs the narratives.

## **Results**

In our study, Finnish speech culture informs the sales-related communication through three discourses: appropriateness, professionalism, and independence.

**The discourse of appropriateness** describes the consumers' understanding of appropriate and inappropriate sales-related communication during the sales process. In the narratives, inappropriate sales communication is often legitimized by specific arguments such as "*excessively aggressive communication style would give a negative first impression*", and "*it is obvious that a good, professional and customer service oriented salesperson doesn't communicate the way these salespersons did*".

In the narrative of the participative seller, the salesperson's active communication style is considered appropriate even though it differs from what the consumers are used to in Finnish speech culture. The salesperson's active communication style is described as being courageous and humorous. This narrative shows how the salesperson's active communication style is considered appropriate and is legitimized by describing how the salesperson's more aggressive communication was inappropriate. This notion questions the prior image of the Finns as silent communicators (Sallinen-Kuparinen, 1986; Wilkins and Isotalus, 2009). The narrative also indicates how the salesperson's imposing use of language is criticized and described as inappropriate communication.

In the narrative of the cooperative seller, the discourse of appropriateness includes a description of sensitive verbal and nonverbal sales communication. The narrative also shows that it is considered appropriate to listen carefully during the sales process. It describes how the salesperson listens attentively without interrupting the consumer. Accordingly, appropriate sales communication is outlined as being sensitively active, listening carefully, being available, and not imposing on the consumers. Emphasizing listening has a link to

Finnish speech culture. Earlier studies indicate that in the Finnish context it is considered appropriate to listen carefully when the speaker is speaking (Wilkins, 2009).

The narrative of the withdrawing seller showcases inappropriate sales-related communication. The salesperson's communication is considered inappropriate because it does not have the elements of professionalism: the salesperson does not concentrate on selling and therefore the consumer does not receive any service. The narrative shows how the salesperson is not available, and when the consumer asks about the products the salesperson guides the consumer to the products but she is not willing to serve the consumer. Therefore, the consumer feels that he is being left alone and that he was disturbing the seller's work.

**The discourse of professionalism** describes the consumers' understanding of professional and unprofessional sales communication. All narrative types draw on this discourse, but in different ways. Whereas the narratives on participative and collaborative sales outline a professional salesperson, the narrative on the withdrawing seller is built on unprofessionalism. Notions of unprofessional communication are legitimized by specific arguments such as "*she did not use any sales technique because she definitely didn't try to sell me anything*".

In the narrative of the participative seller professionalism is valued by describing salesperson's successful completion of the sales process (except pushing to close the sale), as well as his interpersonal communication skills. Professional communication includes delivering the sales presentation accordingly by providing two different alternatives and focusing on consumers' interests (price), taking a relaxed and open position, focusing on facts in the sales talk, and giving professional answers. Fact-orientation may have its roots in Finnish speech culture because focusing on facts has been found to be a typical trait (Poutiainen and Gerlander, 2009; Wilkins, 2005; 2009).

In the narrative of the cooperative seller, professional communication includes professionalism and reliability. Professionalism is constructed by the notions of a salesperson's interpersonal communication skills (such as asking appropriate questions related to consumers' needs and listening attentively), a salesperson's knowledge related to products and the use of appropriate sales techniques. The professional salesperson is willing to focus on consumers' needs and solving consumers' problems. In addition, it is considered professional to focus on facts when talking about and describing products. Professionalism is further linked to appropriateness, and also to the consumer's experience of building trust between the salesperson and the consumer.

In the narrative of the withdrawing seller the discourse of professionalism focuses on unprofessional sales-related communication. The narrative shows how unprofessionalism is constructed by a salesperson's reluctance to provide consumer service. The salesperson does not use sales techniques, does not try to sell the products, does not compare different products, and does not try to close the sale or sell anything extra. However, the consumer makes the purchasing decision by herself. Unprofessionalism is also related to the storyteller's way of using humor instead of direct criticism, which reduces the power of the argumentation. Indirect criticism may have a connection to Finnish speech culture because in Finland the role of communication is more to create harmony between people than to express conflicting themes (Carbaugh, 1995; Isotalus, 2009b).

**The discourse of independence** is based on consumer's freedom of choice and salesperson's availability in the store. In the narratives of participative and cooperative seller, the discourse of independence describes a consumer's positive freedom of choice and the salesperson's ability to be available. The discourse of independence describes how the consumer has too much freedom of choice and how the salesperson is not available, both of which are interpreted negatively.

In the narrative of the participative seller the discourse of independence includes the salesperson's open and positive verbal and nonverbal communication as well as the willingness to be in contact with the consumers and serve them in a sensitive manner. The consumers, however, wish to be independent and they want to look at the products by themselves. The narrative shows that only when consumers are ready will they ask the salesperson's advice. Independence refers to consumer's freedom of choice concerning communication with the salesperson. Independence also has a close connection to Finnish speech culture. In a study on Finnish advisor-advisee relationships, Poutiainen and Gerlander (2009, p. 109) suggested that independence could be approached as a cultural code.

In the narrative of the cooperative seller the consumers' independence and equality are considered important elements of the sales communication. Independence is mostly linked to consumers' freedom of choice concerning the purchasing decision, which the salesperson needs to respect. The salesperson also strengthens the consumer's freedom of choice by leaving them alone to think about the purchasing decision and by saying that he/she will be available when needed.

In the narrative of the withdrawing seller the discourse of independence describes how the consumer has too much freedom of choice and how the salesperson is not available during the

sales process. The salesperson guides the consumer to the products but he/she does not try to identify the consumers' needs. Finally, the salesperson answers the consumer's questions only briefly and the consumer is left alone to make the purchasing decision.

## **Discussion**

The results show how Finnish speech culture is embedded in the sales-related discourses of professionalism, independence and appropriateness. In the discourse of professionalism Finnish speech culture emerges through the focus on facts in salestalk. Focusing on the facts has been found to be typical for Finnish speech culture, especially in educational settings (Poutiainen and Gerlander, 2009; Wilkins, 2005; 2009). Therefore we argue that the speech code of 'matter-of-fact' seems to be present in B2C sales contexts in Finland as well.

The discourse of independence involves the consumer's freedom of choice and the salesperson's availability. Independence likewise has a connection to Finnish speech culture. In a study on Finnish advisor-advisee relationships Poutiainen and Gerlander (2009, p. 109) suggested that independence could be approached as a cultural code. In sales-related communication, independence refers to the consumer's freedom of choice concerning the communication with the salesperson and the purchasing decision. Thereby, the speech code of independence seems also to be present in B2C sales context in Finland.

The discourse of appropriateness questions the prior image of the Finns as silent communicators (Sallinen-Kuparinen, 1986; Wilkinson and Isotalus, 2009) and indicates that courageous and humorous arguments can be considered appropriate in B2C sales communication. The discourse of appropriateness emphasizes attentive listening in particular. Studies in Finnish adult education settings suggest that it is considered appropriate to listen attentively when the speaker is speaking (Wilkins, 2009). The importance of salespersons' listening skills has also been highlighted in previous studies (Malshe and Pryor, 2004).

The speech code theory states that people use speech codes not only to interpret communicative conduct, but also to evaluate it, explain it, and to justify it (Philipsen, 2008). The results concerning appropriate and inappropriate sales-related communication found in the narratives formulate a cultural norm that can be suggested as being relevant in Finnish B2C sales contexts. According to Carbaugh (2007, p. 178), communication norms are statements about conduct, which are granted some degree of legitimacy by the participants in a speech event or a speech community. Norms may be stated by the participants themselves, but they can also be implicit in the structuring of discourse (Carbaugh 2007, p. 178). We argue that appropriate sales-related communication in Finland is based on the salesperson's

professionalism (and particularly ‘matter-of-fact’ talk), adequate interpersonal communication skills (willingness to be in contact with and to cooperate with the consumers, attentive listening, sensitivity, consumer-orientation), and the consumer’s independence. The appropriate sales-related communication also produces a positive experience for the consumer, which, in turn, has a positive effect on the consumer’s purchasing decision and willingness to continue the consumer relationship in the future.

Our study shows that inappropriate sales-related communication in Finland is based on the salesperson’s lack of professionalism, inadequate interpersonal communication skills and assigning too much independence to the consumer. Thereafter, inappropriate sales-related communication produces a negative experience for the consumer. This negative experience has a negative or positive effect on the consumer’s purchasing decision and a negative effect on the consumer’s willingness to continue the relationship in the future. The influence of salesperson’s appropriate or inappropriate communication on consumer experience and behavior are described in Figure 1.

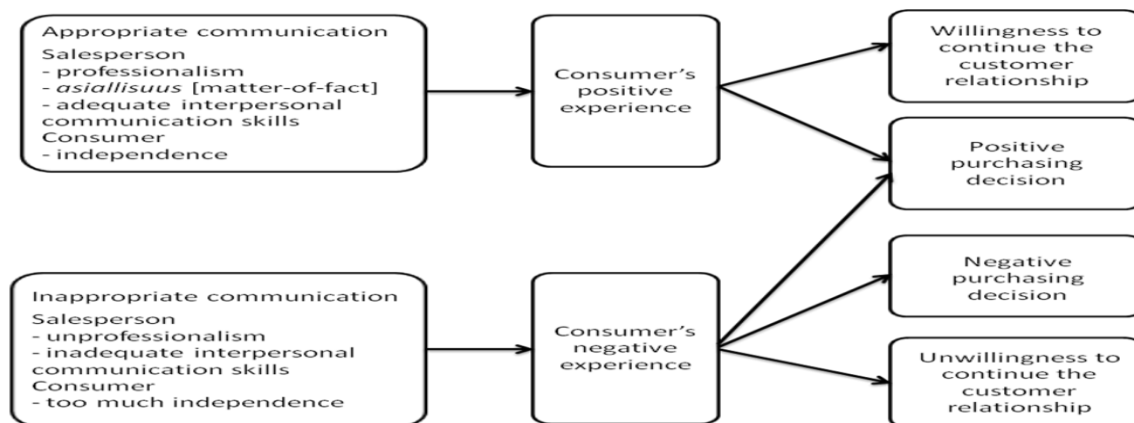


Figure 1. *The influence of salesperson’s appropriate or inappropriate communication on consumer experience and behavior.*

## Conclusion, Limitations And Practical Implications

The results of the study point out that ‘matter-of-fact’, as a central element of a salesperson’s professionalism, and consumer’s independence are valued in the narratives of this study. Therefore, we suggest that ‘matter-of-fact’ and independence can be seen as cultural codes in the Finnish B2C sales context. The cultural knowledge circulated in the narratives describes how sales-related communication, which is considered successful in the Finnish context, is based on appropriateness. Appropriate sales-related communication produces positive experiences for the consumer, which positively affect the consumer’s purchasing decisions and willingness to continue the relationship in the future. On the other hand, inappropriate

sales-related communication produces a negative experience for the consumer which may or may not affect the consumer's purchasing decision. However, consumer's negative experience leads to an unwillingness to continue the customer relationship in the future.

Previous studies have shown that customer-oriented communication (Vadi and Suuroja, 2006) and sales encounter satisfaction (Van Dolen et al., 2002) are related to more successful interaction between the customer and the salesperson. Van Dolen and colleagues (2002) have suggested that it is important for firms to focus on both the management of customer perceptions and on the management of the salesperson's perceptions of their own performance. This study confirms this idea and informs salespersons' training. The training should focus on strengthening salespeople's professionalism including e.g. interpersonal communication skills and informing them about elements of speech culture (e.g. in Finnish speech culture aiming at 'matter-of-fact' and respecting the consumer's independence are useful areas for salespeople to focus on).

In future studies, the results of our qualitative study could be further tested. The results are based on written narratives and not on observational data of salesperson-consumer interaction. Therefore it would be interesting to continue exploring salesperson-consumer interaction in actual selling situations using observational or videotaped data. Furthermore, more investigation concerning speech codes is needed in order to understand what kind of sales communication is considered appropriate by the consumers in different cultures. By understanding speech codes embedded in different national cultures managers can guide their salespeople to communicate in more appropriate ways and also to build long-lasting relationships with profitable consumers.

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# **BUILDING POLITICAL SKILL TO ENSURE TEAM TRUST AND PERFORMANCE**

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## **Abstract**

This study provides theoretical insights and practical guidelines for organizations in regard to political skill composition in teams. It aims to facilitate answering the question whether and when political skill is beneficial for teams and organizations as compared to individuals. In particular, it focuses on the role of team political skill as a predictor of team trust and team performance. Organizational implications extend to multiple HR practices such as recruitment, selection, training, staffing, and team building. This study suggests that in addition to many personal benefits emanating from political skill, recruiting and selecting highly politically skilled team members will result in more effective teams.

***Keywords: Team, Trust, Performance, Interdependence and Political Skill.***

## **Theoretical Background**

Political skill is the ability to effectively understand and influence others at work to act in ways that enhance one's personal and /or organizational objectives (Ferris et al., 2005). It is comprised of the four dimensions: Social Astuteness, Interpersonal Influence, Networking Ability and Apparent Sincerity. In this study we explore how political skill aggregated to the team level enacts some important team states, such as team trust.

The seminal model of trust by Mayer, Davis and Schoorman (1995) included perceptions toward another party's ability, benevolence, and integrity as antecedents of trust, and was originally developed at the individual level only. Recently the authors revisited the model and concluded that —all three factors of ability, benevolence, and integrity can contribute to trust in a group or organization (Schoorman, Mayer & Davis, 2007: 345). We contend that political skill constitutes a critical role in developing these components of trust.

First, perception about a team member's ability – her competences and technical skills – is directly influenced by the team member's political skill. As already mentioned, political skill

has been demonstrated to relate positively to rated performance (e.g., Semadar et al., 2006) and this relationship was explained by developed social astuteness of rated persons (Ferris et al., 2005). Hence highly politically skilled team members appear as more competent and trustworthy. Furthermore, due to their effective interpersonal influence, highly politically skilled members are likely to convince others in the team of their benevolence and genuine concern for the team members' well-being and willingness to work with them rather than against them. Finally, since politically skilled individuals are socially astute to the needs and motivations of others, and are (or appear to be) honest, open and forth-right (Ferris et al., 2005), they may be perceived as possessing high integrity and thus more trustworthy. Thus it is expected that the greater political skill of team members translates into a greater experience of trust by the team and higher team effectiveness.

Based on the extant literature, demonstrable relationships seem to exist between the team trust and team effectiveness (e.g., Dirks, 1999; Jarvenpaa and Leidner, 1999). Our ultimate goal is thus to test the mediation effect of trust through which political skill is able to influence team performance.

Another goal of the study is looking at the contextual effect of task interdependence. Research using team processes and team emergent states to predict team effectiveness suggests that interdependence among team members sets the context for the relationship (LePine et al., 2008). Building on this literature, we hypothesize that teams perceiving high task interdependence also demonstrate a stronger relationship between team political skill and team trust.

## **Results**

Based on the results obtained from 189 student project teams we found team political skill operationalized as a group mean to be a strong predictor of team trust ( $\beta = .24, p < .05$ ) and team performance ( $\beta = .44, p < .01$ ). Testing a series of Structural Equation Models (see Mathieu and Taylor, 2006 for the method description and Byrne, 2006 for the statistical procedure) we found support to the hypothesis that team trust fully mediated the relationship between team political skill and team performance. Arguably, capability of building a large network of colleagues and influencing others may effectively explain better performance of the teams composed of highly politically skilled employees. In fact, this capability acts as a mechanism that eliminates some barriers that hinder team performance, and enhances some desirable properties of teams, such as team trust.

Another important contribution of the study is shedding light on the constraints and opportunities imposed on groups by the strength of task interdependence. Indeed, team political skill and team task interdependence were found to interact in a significant and meaningful way while predicting team trust. The regression analysis controlled for team size and team members gender, age, GPA, and familiarity with each other. The results suggest an interaction effect of team interdependence and team political skill onto team trust. Significant positive relationship was found between team political skill and team trust that occurred for those who perceived team interdependence as higher ( $\Delta R^2 = .02, p < .10, F = 2.81 (8,180), p < .01$ ).

## **Conclusion**

We conclude that political skill becomes of particular relevance for teams that need to work together and exchange information while building trustworthy relations. Possibly, politically skilled team members appear to be honest and open, so they become perceived as more trustworthy compared to politically un-skilled team members. Also, being effective at interpersonal influence, highly politically skilled team members are able to convince others of their willingness to work with them rather than against them. However, this perception of trustworthiness could be attenuated by the high frequency and need for interaction. The more team members had to depend on each other for achieving their team goal (i.e. completing a project), and the more successful their regular interactions were due to high political skill, the more trust in each other they had. This study contributes to our understanding the significant & positive role of team political skill in team trust and performance. Organizational implications extend to multiple HR practices including but not limited to recruitment, selection, training, staffing, and team building.

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# RETHINKING ENTREPRENEURSHIP EDUCATION WITHIN UNIVERSITIES: KNOWLEDGE SHARING AS VALUE PROPOSITION

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## Abstract

The aim of this paper is to propose a new way of organizing entrepreneurship education to try and overcome some of the limitations that are observed in the way entrepreneurship education is provided in Italian universities. The paper contains a literature review on the main issues on entrepreneurship, the objectives, the methods and the evaluation of entrepreneurial education. Starting from international and national evidences the Centre of Innovation and Entrepreneurship of Università Politecnica delle Marche (UPM) proposes a new way to spread entrepreneurial culture among its students. This new way is based on the idea of creating a permanent space where students from different curricula have the possibility to share ideas, skills and knowledge, while also being exposed to more traditional forms of education, such as courses, workshops, etc. The close interaction is expected to facilitate the emergence of new ideas through the contamination of knowledge and experience coming from different university background and the formation of more heterogeneous entrepreneurial teams.

***Keywords: entrepreneurship, entrepreneurship education, Italy.***



## **Introduction**

Entrepreneurship is viewed as a key driver of economic growth (Acs, 2002). This is due to the fact that the new firms formation create wealth and a significant number of jobs, impacting on social and economic development (Acs and Szerb, 2007; Abubakar and Mitra, 2010).

A country's entrepreneurial performance depends on numerous underlying factors coupled with the personal attributes of entrepreneurs. Entrepreneurs and entrepreneurship are created by a combination of three factors: opportunities, skilled people (technical and entrepreneurial capabilities and competencies) and resources (finance, technology, research and development) (Ahmad and Hoffman, 2007). These three factors are all affected by two important conditions: the surrounding regulatory framework and culture which includes the business environment and people's attitudes and aspirations for entrepreneurship. The role of human capital in fostering entrepreneurship is therefore dependent on its ability to open up new opportunities through the use of a specific set of skills and resources in a particular cultural context. Entrepreneurship education is expected to influence culture and build enterprising economies but also to develop specific entrepreneurial skills and attitudes (McKeown et al., 2006; Matley 2005; Kirby, 2004; McMullan and Long, 1987).

The recent World Economic Forum report, "Educating the next wave of entrepreneurs" (Volkman et al., 2009) clearly sets out the case for global entrepreneurship education. Gibb and Hannon (2007) indicate that globalisation pressures and consequent structural changes of economies have resulted in the encouragement of enterprise education worldwide (Johannisson, 1991; Doutriaux and Barker, 1996; Pittaway and Cope, 2007).

Enterprise education has emerged in different educational contexts as a way to develop an entrepreneurial culture, to promote enterprise, to create new ventures, and to foster entrepreneurial mind-sets through education and learning (Kuratko, 2005, p. 577).

Similarly, the Lisbon strategy reports and initiatives stress the importance of promoting a more entrepreneurial culture (European Commission, 2006, p. 3). More systematic approaches to entrepreneurship education to enhance the role of education in creating a more entrepreneurial culture in European societies are recommended as part of the Lisbon Programme framework.

The importance attached to entrepreneurship education led to a significant increase in the supply of entrepreneurship courses in Italian universities during the last decade (Iacobucci,

Micozzi, 2012). In turn, this also raised the concern for an appraisal of the effectiveness of such courses in attaining the desired goals. The study identified two main problems about the way in which entrepreneurship education is organized in Italian universities. Firstly there is a supply side bias as the majority of courses and curricula are offered within business schools while there is a lack of courses in scientific and humanity areas. Secondly, the organization of courses did not innovate much traditional teaching methods, based on formal lectures with little involvement of students.

Starting from these premises, the aim of this paper is to propose a new way of organizing entrepreneurship education to try and overcome some of the limitations that are observed in the way entrepreneurship education is provided in Italian universities.

This new way is based on the idea of creating a permanent space where students from different curricula have the possibility to share ideas, skills and knowledge, while also being exposed to more traditional forms of education, such as courses, workshops, etc. The close interaction is expected to facilitate the emergence of new ideas through the contamination of knowledge and experience coming from different university background and the formation of more heterogeneous entrepreneurial teams.

The paper is organized as following: section 2 provides a literature review about the aspects of entrepreneurship education which are relevant for the aims of the paper; section 3 provides some information about the context in which the new formula of entrepreneurial education will be implemented; section 4 analyse in details the proposal of creating a permanent 'space' where students of different faculties can meet together, attend courses, workshops and conferences on entrepreneurship. Section 5 provides the main conclusions.

## **Entrepreneurship Education**

Previous studies have concluded that entrepreneurship education and training can influence the behaviour and future attitude of students (Fayolle et al., 2006). However, the present situation of formal education in Europe is not considered to be conducive to promoting entrepreneurship and new enterprises (European Commission, 2007). Consequently, there is a perceived need to promote entrepreneurship as a viable career option among young adults across Europe with renewed calls for Higher Education Institutions (HEI) to integrate entrepreneurship courses in their curricula to help develop an entrepreneurial mind-set (European Commission, 2006).

Kirby (2004) argues that the traditional education system stultifies rather than develops the requisite attributes and skills to produce entrepreneurs, and proposes that if entrepreneurs are

to be developed, considerable changes are required in both the content and process of learning. In particular he suggests that there needs to be a shift in the emphasis from educating “about” entrepreneurship to educating “for” it. He proposes that HEI need to change the process of learning to enable their students to develop their right brain entrepreneurial capabilities as well as their left-brain analytical skills.

When considering the methods used to introduce entrepreneurial education at university and higher school level, the complexity of the entrepreneurial process is highlighted by the identification of a lot of different models of such process (Moroz and Hindle, 2011).

The teaching methods could be categorized into two groups, which are termed “traditional methods” (“passive methods” or lecture-based methods) and “innovative methods” (“active methods”) (Mwasalwiba, 2010) that include game simulations (Hindle, 2002); video and filming (Verduyn et al. , 2009); role models or guest speakers (Hegarty, 2006; Fiet, 2000a, b); business plan creation; and project works, games and competitions, setting of real small business ventures, workshops, presentations and study visits (Keogh and Galloway, 2004).

The contents of courses are: resources marshalling and finance; marketing and salesmanship; idea generation and opportunity discovery; business planning; managing growth; organisation and team building; new venture creation; SME management; and risk and rationality. Less important subjects are: legal issues; management of innovations and technology; franchising; family business; negotiation skills; communication skills; and problem solving (Mwasalwiba, 2010).

Entrepreneurship, or the process of starting up a new enterprise, presents challenges because of the need to make decisions addressing a very wide range of aspects of business management in situations where there is a great deal of uncertainty (Timmons et al., 2011). Thus, students of entrepreneurship need to develop a wide range of practical and conceptual skills in order to eventually deal with the complexity of the entrepreneurial process (Gibb, 2002). As a result, the entrepreneurship education literature places a great deal of emphasis on developing in students the capabilities to make decisions in situations of high ambiguity (Arvanites et al., 2006; Kailer, 2009).

Since the last two decades some authors (Hisrich and Peters, 1998, p. 20) categorize the various skills required by entrepreneurs:

- Technical skills that includes written and oral communication, technical management and organizing skills;

- Business management skills that includes planning, decision-making, marketing and accounting skills;
- Personal entrepreneurial skills that includes inner control, innovation, risk taking and innovation.

“Entrepreneurship is the ability to create and build something from practically nothing. It is initiating, doing, achieving, and building an enterprise or organisation, rather than just watching, analysing or describing one. It is the knack for sensing an opportunity where others see chaos, contradiction and confusion” (Timmons, 1989, p. 1)

Moreover, the psychological literature suggests that entrepreneurs possess certain characteristics or traits, such as: risk-taking ability, need for achievement, locus of control, desire for autonomy, deviancy, creativity and opportunism, intuition.

Timmons et al. (1985, p. 153) conclude “we do not believe that there is any single set of characteristics that every entrepreneur must have” and these can all be learned.

Garavan and O’Cinne’ide (1994) distinguished between various objectives of enterprise/entrepreneurship education. Based on their European-wide evaluation of six enterprise programmes across five European countries, the most commonly cited aims of entrepreneurship programmes included: to acquire knowledge about entrepreneurs and entrepreneurship, to identify and stimulate entrepreneurial drive, talent and skills; to cope with and assess risk; to develop empathy and support for all unique aspects of entrepreneurship, and to devise attitudes towards change. In terms of content, the focus of the programmes reviewed by them varied from idea generation and business planning to the identification of products, market research and business formation.

Hytti and O’Gorman (2004) reviewed 50 enterprise/entrepreneurship education programmes. They found that most programmes were designed to help individuals become entrepreneurs, followed by programmes to help individuals understand entrepreneurship and become entrepreneurial in their lives.

They identified three types of entrepreneurship programme, namely: (1) Entrepreneurship orientation and awareness programmes, which focus on general information about entrepreneurship and encourage participants to think in terms of entrepreneurship as a career; (2) New enterprise creation programmes designed to develop competences that lead to self-employment, economic self-sufficiency or employment generation; (3) Programmes that focus on small business survival and growth.

A solid research on the outcomes of entrepreneurship education is scarce (Gorman et al., 1997; Menzies, 2004; Pittaway and Cope, 2007). Although the number of entrepreneurship education programmes has grown considerably over the past two decades, the actual contribution that such courses have on entrepreneurial activity remains unclear (Matlay, 2005, 2006).

The prior research on entrepreneurship education and its outcomes has highlighted the role of entrepreneurship education in affecting the students' attitudes towards entrepreneurship, their motivation and intentions in engaging in new ventures (e.g. Dreisler et al., 2003, Peterman and Kennedy, 2003; Klapper, 2004, Fayolle, 2005; Pittaway and Cope, 2007; Athayde, 2009).

The actual effects of entrepreneurship education are still not known, and there is a need for more rigorous research investigating the impact of entrepreneurship education on entrepreneurial outcomes (Henry et al., 2005; Colette et al., 2005; Matlay, 2008, 2011).

The students' self-assessment of the business idea and its feasibility, creativity and the written presentation could be an efficient measure of whether the learning objective set for the course was met. The ultimate outcome was a business idea developed in a student team, which was evaluated twice by external advisors.

Mwasalwiba (2010) shows as many authors generally associate as the indicator of efficacy of entrepreneurial courses the creation of individuals who are destined to start businesses (Henry, 2004; Rosa, 2003; Charney and Libecap, 2000). Also, students' academic standards (including examination scores and GPAs) were ranked the second most immediate impact indicator (Charney and Libecap, 2000; Vesper and Gartner, 1997; Hynes, 1996). The third group of indicators originates from psychological constructs, for example change in students' attitudes, perceptions, interest, self-efficacy, confidence, abilities and skills towards entrepreneurship (see Souitaris et al. , 2007; Lee et al. , 2006; Fayolle et al. , 2006; Veciana et al. , 2005; Peterman and Kennedy, 2003; Rosa, 2003).

Further, some scholars measure impact in terms of how much entrepreneurship programmes contribute to the community, for example in terms of technology transfer, new jobs created, or assistance to local entrepreneurs (Henry, 2004; Vesper and Gartner, 1997). Lastly, some scholars measured impact using a change on students' need of achievement and locus of control (Hansemark, 1998).

Bourdieu (1989) put forward an interesting thesis when he suggested that in a society of privileges where the diploma is provided, in particular by an institution with a certain

reputation, this replaces the privilege of birth. The function of the educational system becomes to reproduce a social elite. Similarly, Bauer (1988) and Maurice et al. (1982) highlighted that certain senior positions in large organisations and in the public sector are reserved for graduates with the diploma from certain educational establishments. It is essential to create the right entrepreneurial environment at the education institution. Both the culture of the organisation, as well as the culture of the surrounding environment, are key when promoting enterprise creation and entrepreneurial spirit. This suggests that entrepreneurial activities should be integrated into the programmes of the institution from an early stage onwards and need to be supported by the school culture to encourage the right entrepreneurial spirit among the student population creating an entrepreneurial environment.

This is important due to the fact that, up to now, business graduates and students are less attracted towards being organizational employees (Duffy and Stevenson, 1984). Intense competition, cost cutting pressures, and acquisitions and take-overs have resulted in large company restructuring. This has undermined traditional values such as employee loyalty or security. Consequently, more business students view the possibility of starting and operating their own business as a viable alternative to being employed in an established company.

This is also the result of the Italian context where students enrolled in a specific curriculum are not allowed to choose courses outside those offered for the same curriculum. This means that they have little chances to participate to an entrepreneurial course. A recent study on entrepreneurship education at university level in Italy (Iacobucci, Micozzi, 2012) shows that only a few universities have courses or specific curricula dedicated to entrepreneurship and these are concentrated within business faculties while very few exist in science and engineering faculties, where they were more needed. The slow pace with which Italian universities are following the global trend in the development of entrepreneurship courses and curricula depends on two main factors related to the supply side: the presence of a cultural tradition that does not favour entrepreneurship education, and the rigidity of the Italian university system when changing courses and curricula.

As regards the cultural traditions, in the Italian university system there is a strong separation between theoretical and practical knowledge, the former being considered superior to the latter. Universities are the places where theoretical knowledge is developed and transmitted, with less attention paid to its practical use. This is reflected in the content of courses and in the teaching methodology which is almost exclusively based on lectures with little consideration for the active role of students. Another important factor is the rigidity of the

Italian academic system, resulting from its strict definition of the content of scientific fields and the codification of scientific sectors within which courses and curricula are designed: so it is difficult to introduce new courses within curricula.

On the demand side, a factor that determines the low presence of entrepreneurship courses could be the result of a cultural bias of Italian university students: most graduate students get degrees in humanities and attend university with the aim of starting a career in the public sector or as a professional. The graduates in the sectors of medicine, pharmacy and architecture are traditionally oriented towards professional careers. Management students tend to hesitate to see themselves as entrepreneurs: they look for employment in large organisations once they have finished their degree at management schools.

Very few saw a future for themselves as entrepreneurs and setting up a business, despite the fact that many of them had somebody in their family who was running his/her own business.

Moreover, recent studies on academic spin-offs in Italian universities (Iacobucci et al 2011) and science based enterprises showed that one of the main problems of these new ventures is the lack of management and marketing capabilities as a result of an excessive homogeneity of the entrepreneurial teams, typically composed of people coming from the same scientific background. The organization of entrepreneurship education should be aimed at favoring the formation of more heterogeneous entrepreneurial teams.

The table 1 summarizes the main issues analysing in the international and national literature and the table 2 summarizes the objectives, methods and evaluation of impact of entrepreneurship education.

<b>INTERNATIONAL REVIEW</b>	<b>ITALY</b>
<p><b>WHAT DO MEAN TO BE ENTREPRENEUR?</b></p> <p>to involve many of the enterprise skills  the ability to generate creative ideas  be motivated to get them off the ground  Technical, organizing and business management skills  Personal entrepreneurial skills  envisioning a future for the business, take risks  to develop or enhance one's personal capabilities  need for achievement, locus of control, desire for autonomy  deviancy, creativity, intuition  commitment, determination and perseverance  orientation to goals and opportunities  seeking and using feedback  tolerance of ambiguity, stress and uncertainty  integrity and reliability, urgency and patience  team builder, hero maker, learning from failure,</p>	The same
<p><b>CURRENT SCENARIO OF EU ECONOMY</b></p> <p>deep and significant changes in the labour market and by an exponential rise in youth unemployment lead to consider entrepreneurship as the panacea to counterbalance a stagnating economy.</p>	The same
<p><b>TEACHING ENTREPRENEURSHIP</b></p> <p>entrepreneurship knowledge and skills can be taught and developed</p> <p>education plays an important role in the process of building entrepreneurial capacity</p>	<p>The rigidity of the Italian university system when changing courses and curricula</p> <p>the rigidity of the Italian academic system, resulting from its strict definition of the content of scientific fields and the codification of scientific sectors within which courses and curricula are designed: so it is difficult to introduce new courses within curricula</p>
<p><b>WHERE DO ENTREPRENEURSHIP BE TAUGHT?</b></p> <p>business school</p> <p>engineering school</p>	The majority of courses and curricula are offered within business schools while there is a lack of courses in scientific and humanity areas
<p><b>IMPACT OF ENTREPRENEURSHIP EDUCATION</b></p> <p>the present situation of formal education in Europe is not considered to be conducive to promoting entrepreneurship and new enterprises</p>	The same

*Table 1 – Main issues on entrepreneurship*



Objectives		Methods		Evaluation Of Impact	
International Review	Italy	International Review	Italy	International Review	Italy
to influence culture	The same	To teach about entrepreneurship (entrepreneurship as a phenomena and an academic subject)	the organization of course not innovate much traditional teaching methods, based on formal lectures with little involvement of students	enhancing the entrepreneurial culture, creativity and risk taking in society	no evidence of impact of entrepreneurship education
to build enterprising economies		To teach entrepreneurial process (evaluate and exploiting individuals' opportunities)	he teaching methodology which is almost exclusively based on lectures with little consideration for the active role of students	stimulating students to start an entrepreneurial career	
to develop specific entrepreneurial skills and attitudes		To teach for entrepreneurship (knowledge base and skills needed to start, develop and grow new businesses)		A solid research on the outcomes of entrepreneurship education is scarce	
to increase the number and quality of entrepreneurs in the economy		Division between "traditional methods" ("passive methods" or lecture-based methods) and "innovative methods" ("active methods")		new jobs created	
effective way to facilitate the transition of a growing graduate population from education and into work				new firms created	
developing the students' entrepreneurial skills and preparing them for a career in self-employment					
to promote enterprise					
to create new ventures					
to foster entrepreneurial mind-sets					
influence the behaviour and future attitude of students					

Table 2 – Objectives, Methods and Evaluation of impact of entrepreneurship education

Starting from these empirical evidences, the Centre of Innovation and Entrepreneurship of Università Politecnica delle Marche (UPM) proposes a new way to spread entrepreneurial culture among its students.

### **Case Study**

The rethinking of entrepreneurship education programmes within the university proposed in this paper will be discussed by referring to a new programme which is developing at UPM called Contamination Lab (C Lab) (<http://clab.univpm.it/>).

UPM ranks among the top Italian universities in teaching excellence. Up to now it provides education for 16400 students and counts more than 500 researchers. The education and research activities are developed within the following faculties: Faculty of Agriculture; Faculty of Economics; Faculty of engineering, Faculty of Medicine and Surgery, Faculty of Science.

In addition to the universities' two main missions, high level research and education based on this research, UPM has more recently been assigned a new, so-called "third mission", i.e. technology transfer. It is increasingly expected that universities play a major role in regional innovation and economic growth. They are additionally seen as key providers of new technologies and business ventures, sometimes also as a regional development engine (Etzkowitz, H., & Leydesdorff, L., 2000). UPM could be consider an entrepreneurial university (Bozeman, 2000, Rothaemel et al. 2007). The TTO in UPM was established in 2004. At present it has 5 full time employees, two of whom with a PhD qualification. UPM was one of the first universities to develop a database of scientific and technological competences to favour the relations with industry. The methodology was also transferred at regional level to develop a collaborative platform for fostering R&D relations between firms and research institutions within the Marche region [www.marcheinnovazione.it](http://www.marcheinnovazione.it). From 2006 UPM is an active member of NetVal, the Italian association of TTO. The main activities are: promoting university-industry relations; supporting the start-up and early development of academic spin-offs; sustaining researchers in the application and commercialization of intellectual property (patenting).

A Patent Committee, a specific Patent Regulation, an ad-hoc team for the implementation and management of patent procedures and utilisation, are the tools that have been developed by the UPM, since 2010, to assist in the complex processes leading to successful technology transfer and to the utilisation and dissemination of research output. Up to now UPM has 21 patents (Italian, European and International applications) but it is increasing the number of

patent applications thanks to the ability of the office to collect most of invention disclosures (about 10 per year).

The UPM is one of the most important University in Italy in terms of promotion of academic spin-offs. Since the early 2000s, following the adoption of a specific legislation, has the phenomenon of research spin-off become significant. In particular, art. 2 of the DLG July 27, 1999 n. 297 authorises universities and other public research institutions (PRI) to issue regulations that allow researchers and professors, as an exception to existing rules, to participate in the capital and the management of newly established companies aimed at the industrial use of research. In the last decade, 35 spin-offs were set-up by professors and researchers of UPM, 4 of these are dissolved or in liquidation.

ILO provides support and services in all the initial phases of academic spin-offs: the identification of the business idea (from research results); the development of the business plan; the formation of the entrepreneurial team and the set-up of the new venture; the early development of the new business. Recently, UPM has also promoted a business incubator (Jesi Cube) in collaboration with the a large Italian industrial group (Maccaferri) operating in the Marche region and the Municipality of Jesi.

Despite the commitment of UPM and its ILO in promoting the set-up of academic spin-offs and sustaining their early development, up to now no entrepreneurship courses were offered within the several curricula and subject areas.

In the following section we describe a proposal in this regard, which try to fulfill this gap and that shows significant innovations in the ways entrepreneurship education is conceptualized and practically organized.

### **The Contamination Lab**

The literature review about the objectives of courses and curricula, the methods applied and the evaluation of outcomes, allow us to rethink the way of spreading the entrepreneurial culture among students. The UPM is starting a new entrepreneurship education programme by opening a space called: Contamination Lab (C Lab).

Contamination Lab is a place of “contamination” between students from different university backgrounds. It is oriented to promoting entrepreneurial attitudes and innovation, by fostering cross curricular activities, new learning models and the development of entrepreneurial projects. It is a meeting place for students, researchers, young professionals from different backgrounds and different faculty and departments that are willing to discuss and develop

new business ideas. The proposal aims to create a human capital network in order to enhance innovative high-potential projects.

The objective is to implant the seed of entrepreneurship or to awake the students' natural entrepreneurial attitude through mutual contamination. This process is able to create and speed up Italian innovation ecosystem. This ecosystem includes brilliant and creative brains with different backgrounds that working together in a shared place can help, compete, confront and "contaminate" each other, creating a entrepreneurial milieu where new ideas will find a breeding ground (entrepreneurial humus) for the development of successful firms.

The C Lab 6-months programme is divided in two main area of activity: training and informal activities.

Training will be structured in "dynamic" lessons (team building, project management, self-marketing, communications skills, etc.) in order to improve the complementary using a learning by doing approach, lessons where students can interact and adopts knowledge and skills acquired working in real case study; e-learning courses (business planning), seminars (technology transfer, intellectual property management, marketing and business management, academic entrepreneurship, innovation regional system, support to the new venture creation, etc.), tutoring to develop the students' business ideas and project works proposed by companies. All the activities will be promote through informal interaction between students and people connected to the C Lab network: entrepreneurs, managers, policy makers, VC, banks, business angels, etc. There will be also organized meetings with University' spin-offs. Spin-off' young promoters can access to the C Lab and to the relaxation area so as to foster positive externalities. Contextually C Lab students will be involved in visits and internships in the spin-offs, companies incubators, technology parks and co-working. During the day will be shown selected news of specific items (news, videos, newspaper articles, interviews, etc.) to stimulate interactions and debates between students about themes linked to innovation and entrepreneurship. Part of the programme will be in English and all the activities will be carried out by a team of students coming from different universities in order to have a "contamination" of knowledge.

All students, except the first and the second year students, from the 5 Faculties of UPM can participate to the C Lab UPM project.

The space of the C Lab project will be organized as follow: a) an open space room with individual workspace for about 50 people; b) a multi-purpose room for teamwork, projector and flip boards equipped to facilitate development of ideas between students; c) a relax area

with tv-sets, rest stop area with vending machines, tables and chairs, where students can chat and entertain each other; d) an open space office for 6 spin-offs.

The C Lab will be open 24 hours a day, seven days a week.

Other similar characteristics shared by the reviewed programmes include course delivery using an interdisciplinary integrated approach; strong supporting infrastructure for holistic development beyond the curriculum; good faculty who does lots of good and practical research; and the presence of a diverse student body which enables an enriching cross-cultural experience.

In addition to structured training, other elements provided in entrepreneurship support programmes include mentoring, business counselling, incubation/office facilities, subsistence allowance, seed capital, a qualification, networking opportunities, and follow-up support. In particular, networking has been identified as extremely valuable programme elements for aspiring and established entrepreneurs.

UPM will create relationships networks in order to enhance a breeding ground of knowledge and experiences for C Lab' students. This can occurred through both structuring cross curricula training plan, and proposing meetings with startupper, entrepreneurs, local stakeholders, C Lab students from different university and famous international mentors specialized on innovation and entrepreneurship. Networking activities are already a strategic priority of the UPM, so C Lab's network can benefit from all good relationships established by the university.

Institutions that will be involved in the C Lab project will be Chamber of Commerce, incubators, business schools, industrial association and entrepreneurs.

C Lab training activities will be part of the curriculum as an optional course, specifically, attendance to structured courses and seminars can worth as ECTS (European Credit Transfer and Accumulation System). Lectures decide criteria for evaluating study attainment and performance of the students, considering not only the knowledge acquired but also the objective reached, the student's attitude in the group and the respect of the timeline for the project works.

C Lab students will be also involved in business games and in business plan competitions (E-capital). Huffman and Quigley (2002) and Russell et al. (2008) note that business plan competitions provide a mechanism for new business start-up and for encouraging entrepreneurial ideas, talents and potential. Der Foo et al. (2005) noted their role in team building and utilising new technologies.

Activities such as business skills development, team-building, mentoring, judges feedback and networking represent core activities of an effective business planning competition (Russell et al. , 2008). Streeter et al. (2002) and Atchison and Gotlieb (2004) identify that such competitions offer the opportunity to develop both generic skills and knowledge competencies.

The programme will start in March 2015, 50 students were selected to participate to the C Lab activities. The selection criteria were focused on curriculum vitae, academic carrier, language certification and motivation.

The main issue under the C Lab idea is to create a place:

- where it is possible to foster cooperation among students, entrepreneurs and academics;
- where students, entrepreneurs and academics share knowledge and create new understandings and work together to form plans of action (co-learning).
- where students set their own agendas and then act to carry out the action with the help of entrepreneurs and academics;
- where students are embedded into entrepreneurial culture;
- where teachers and mentor show the best practice in entrepreneurship and innovation in the creation of new businesses;
- where students learn to manage all stages of the knowledge transfer process to support organic growth within the high technology sector for set up a new company.

The new idea is to create a permanent space where students from different curricula have the possibility to share ideas, experiences and skills. This space could facilitate the contamination among knowledge and the formation of entrepreneurial team with new ideas to develop. Up to now the literature about entrepreneurial team (ET) concerns:

- the ET formation with a specific focus on drivers and conditions for team entrepreneurship (Harper, 2008) and the formation logics and the evolution od ET (Clarysse& Moray, 2004; Parker, 2009);
- the ET composition with a focus on the impact of team composition on performance (Amason et al., 2006; Colombo & Grilli, 2006; Delmar& Shane, 2006; Steffens et al., 2012) and on other outcomes, such as innovation (Henneke & Lüthje, 2007); and networking (Grandi & Grimaldi, 2003);

- The ET processes: conflict (Ensley et al., 2002); communication (Foe et al., 2006), and leadership (Ensley et al., 2006).
- The heterogeneity of members in ET (Foo, 2009; Vanaelst et al. 2006). Steffens et al. (2012) find that more homogeneous teams are less likely to be higher performing in the long term. Other authors investigate the importance of balanced teams with considerable business experience in academic spin-offs. Lockett et al. (2003) observe that the attraction of such so-called “surrogate entrepreneurs” with managerial skills in spin-off teams is a crucial step in the formation of a spin-off. These complementary skills allow teams to recognize a more diverse set of opportunities and to fulfill a diverse set of tasks in a more efficient way than if they would not have this background. Core founding teams of spin-offs appear to be unbalanced in terms of experience. Their experience is highly concentrated in research and development, while sectorial experience in commercial functions such as product management or business development is completely lacking (Iacobucci et al, 2011).

In this paper we adopt a different perspective: we assume that the heterogeneity of students in the Contamination Lab space influence the generation of better new ideas than ideas that come from a group of students with similar background (Gruber et al., 2012). We don't discuss about the role of entrepreneurial education in University: if it is better to introduce entrepreneurial curricula at human or scientific and technical University. Each students could attend to contamination lab irrespective of his/her background and the value proposition is in sharing knowledge during the first phase of entrepreneurial process: the creation of a new idea.

## **Discussion and conclusion**

Entrepreneurship is crucial to boosting productivity, increasing competition and innovation, creating employment and prosperity, and revitalising communities. A policy framework that identified strategic themes as key drivers for economic growth, improved productivity and a wider involvement in enterprise for all is needed. These included building an enterprise culture, encouraging a more dynamic start-up market, and building the capability of small business growth.

There is the need to know more about what entrepreneurship or enterprise education actually “is” when implemented in practice and the real challenge could be to embed this type of course in the Universities' curriculum. This is problematic because the entrepreneurial

approach to teaching entrepreneurship is the antithesis of traditional approaches to teaching. Academic assessment processes evaluate and test knowledge and skill rather than behaviour, therefore widening the assessment process to accommodate behaviour is the real challenge for academic institutions, although it is a challenge that is beginning to be undertaken.

In addition, existing curricula have limited opportunity for expansion to include new courses and in order to offer entrepreneurship modules, other existing course offerings would need to be dropped. Academic policy and decision makers need to be convinced of the value in offering such courses before they can be inserted into mainstream programmes. Arguably course developers will need to employ their own entrepreneurship behaviours to establish such programmes in mainstream academia.

The proposal of a space as Contamination Lab tries to solve these problems.

C Lab sought to introduce entrepreneurship education into the science, medicine and engineering faculties, adopting the approach of encouraging the development of enterprise attributes and competencies rather than focussing on business start-up but also to other dimensions such as employability, social entrepreneurship, academic entrepreneurship and intrapreneurship. By adopting this “enterprise for life” approach C Lab formula emphasised the value of an entrepreneurial attitude and enterprising behaviour to enrich people’s lives and to contribute to social change.

The assumptions of C Lab formula were built starting from the main issues, objectives, methods and evaluation analysed in other context, with the aim to cover the gap existing in Italian University system in this field. The guidelines of C Lab are:

- Entrepreneurs and academicians have a great deal of knowledge and experience to share with others (theoretical and practical), some of which will be of value to students who wish to start an entrepreneurial career;
- Students of different disciplines have a knowledge and experience to share in a common space;
- The collaborative and co-learning environment is necessary for encouraging this exchange of information;
- Involving students, entrepreneurs and academicians in the process of education should be a solution leading to effective learning of entrepreneurial knowledge, skills and behaviours;



- The safe environment of c Lab is supportive and allows collaboration among students, entrepreneurs and academicians with the aim to encourage the acquiring of entrepreneurial behaviours;
- teaching and training programmes for entrepreneurship in all schools are provided;
- the use of business plans as a pedagogical tool for preparing future entrepreneurs;
- “innovative methods” that include game simulations; video and filming; role models or guest speakers; business plan creation; and project works, games and competitions, setting of real small business ventures, workshops, presentations and study visits public symposia and awareness campaigns, dissemination of research results to the community; students’ consulting projects with local entrepreneurs, technology transfer activities, incubation services;
- the students’ self-assessment of the business idea and its feasibility, creativity and the written presentation are used as evaluation tools.

The main limitation of this work concerning the fact that the C Lab was launched in December 2014 and we are not able to assess the feasibility of the new idea because no testing was done yet.

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# **LEADER-MEMBER EXCHANGE AND JOB ROLE AMBIGUITY: AN INDIAN PERSPECTIVE**

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## **Abstract**

The impact of the relationships between leader and his or her followers, which is studied by the help of leader-member exchange (LMX) theory, has been the focus of practitioners and academics since the quality of leader-member exchange within the business environment especially service industry can affect the success or failure of the today's competitive organizations.

The concept of LMX and its effects on many dimensions like job commitment (Nystrom, 1990), job satisfaction (Schyns & Croon, 2006) organizational citizenship behavior (Scandura, Graen, & Novak, 1986), empowerment (Keller & Dansereau, 1995) have been studied in USA. The paper fills the gap in existing knowledge, through examining LMX on role ambiguity/clarity of front line sales personnel, especially in a developing economy like India.

In the present research paper, descriptive case study as a research methodology is used. According to Yin (1984, p23), case study research method is an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; It documents the both the context and the phenomenon elaborating the various aspects of LMX in a departmental stores in Mumbai (India).

The paper centers around the dynamics of human element, especially talent management, which is key contributor of success with respect to service sector, especially in retail in India. It provides insights into the impact of quality of leader member exchange on job role ambiguity/clarity that will lead to proactive HRM practices in retail sector.

*Keywords: leader member exchange, job role ambiguity, department store, frontline sales personnel, infrastructure, service effectiveness, proactive, retail sector, quality, talent management.*

## **Introduction**

Within the broad area of organisational leadership, Leader-Member exchange (LMX) theory has evolved into one of the more interesting and useful approaches for studying linkages between the Leader – Member Exchange and their effectiveness at workplace.

Indian economy has an increased share of services and is shifting away from manufacturing sector. Retaining talent is a challenge, as today's employees are considerably different than they were in the past with regard to their demands for challenging, meaningful work and expectations for more responsibility and autonomy (Wilson, et al., 1994). Organizations will also rely on innovation and creativity more heavily in the future than they have before (Wilson, *et al.*, 1994). Because of the massive changes taking place in the workforce, the nature of work, and the structure of most organizations, it is important to re-evaluate the concept of leadership in this context. Characteristics that made leaders successful 15 or 20 years ago may or may not be the same characteristics needed today. For example, an explosion has occurred in the amount of knowledge that exists today. In fact, "one of the greatest changes in our business world is the transformation of an industrial-based economy into an information-based economy" (Wilson, *et al.*, 1994, p. 18). Therefore, capitalizing on the talents and intellectual potential of employees is increasingly important for organizational success (Wriston, 1990). Another major shift deals with the need to increase speed and efficiency. Not only in taking ideas to market, but also in responding quickly to changes internally and externally, organizations are being forced to move faster (Stalk and Hout, 1990). Closely related, the push for continuous improvement requires a different mindset and skill set for leaders today. Most definitely, there are some additional, different skills and behaviours needed today, because of the changes mentioned above, along with the increasing movement toward creating a team-based environment.

Rapid developments in the Indian Economy post-liberalisation in 1991 have prompted institutions like the World Bank to forecast that India would be the fourth largest economy in the world by 2020 (Budhwar and Bhatnagar, 2009). Following globalisation this has attracted a large numbers of foreign investors and companies to India. HRM in India has evolved as a specialised function (Budhwar and Bhatnagar, 2009). India had a long history of labour legislation and industrial relations and there are many challenges to the HRM systems in India, due to the diverse nature of India's society which is marked by regional, sectoral, socio-cultural and political variation. In such a climate it is extremely difficult to have a uniform HR system. The Indian retail sector is witnessing incredible growth with the



changing demographics and an increase in the quality of life of urban people ( Budhwar and Bhatnagar,2009).

India is considered to be the most promising land for global and domestic retailers due to boom in consumerism and sizeable young population as a customer base. This boom in retail sector in India is attracting growing interest for FDI ventures by developed countries and its corresponding increase in demand for talent have made it essential to have well defined human resources management policies for retail employees especially the frontline employees who are in direct contact with the customers and can have impact on their purchase decision.

The present challenge of retail in Indian scenario is talent management as employee attrition is high for all retail players. It is very difficult to get service oriented frontline sales people to run stores. The retailer is ready with retail space in different malls with high footfalls, but availability of qualified and experienced personnel is still a big concern for the retailer. Almost all retailers are indulged in poaching which is not a permanent solution. The way the sector is growing in terms of opening stores it is very predictable that there is going to be huge scarcity of professionals to manage stores.

According to a recent study conducted by Wharton (2007) a Canadian Consulting firm on retail customer satisfaction, it was found that stressed, demotivated and unwelcoming frontline employees leads to more loss of business due to negative word –of –mouth. In service sector the main role of sales people is controlling the emotional responses of the customers during the service encounter .This role requires emotional self –appraisal of the salespeople ,but if they themselves are stressed out, customer satisfaction will be a question mark affecting the profitability of the retail store. Thus job role stress can be considered as one of the major challenge of Human resources in retail. There have been many studies done internationally which point out that quality of leader member exchange (LMX) has impact of job role stress. This paper focuses on Indian perspective of impact of quality of LMX on job role stress in a department store setting. There are other HR issues such as employee performance, training and development, organizational commitment which should also be tackled.

## **Research Methodology**

The task of the social sciences is to isolate, analyse and understand the cause of human behaviour and to understand how social forces shape behaviour. Here we need to study social group behaviour rather than individual group behaviour. In social science research, evidence which is reliable and valid can be collected from observable phenomenon which also can be tested.

Creswell (1994) suggests that if the topic is new, with little existing literature, using qualitative approach may be appropriate for analysis of data. Cooper and Schindler (2001) suggest that when undertaking an exploratory study, the researcher should consider the use of qualitative research, as it can help the researcher to understand the reasons for the respondent's attitudes and opinions.

According to Yin (2004), the case study methodology can be used to answer a descriptive question – what happened, or an explanatory question –how or why did something happen; as opposed to a well-designed experiment, which starts with defining a causal relationship between two or more variables and hypothesis to be tested ( Shavelson and Townes,2002). Also the case study method, allows the researcher to explain a particular situation, and get more information and make direct observations in the natural setting of the phenomenon and then document those observations through a case study. In short, there is no derived data, as one gets response from a questionnaire ( Bromley,1986). Further according to Yin(2004), the structure of a case study report can be heavily influenced by your investigative strategies. More generally, because the report does not have to follow any particular form, the opportunity to compose case studies can be more exciting and call on greater creativity than reporting about research that has been based on most other methods.

The next section tackles the literature review with respect to leader member exchange, Role ambiguity and service effectiveness. This is followed by explanation and extension of role episode model, social exchange theory, inducement contribution theory and service effectiveness gap model to the departmental store setting to explore the impact of quality of relationship between the sales managers and their subordinates (only sales personnel) on job role ambiguity and service effectiveness.

## **Literature Review**

### *Leader Member exchange*

Traditionally, most leadership theories emphasized leadership from the point of view of the leaders (e.g. trait approach, skills approach, and style approach) or the follower and context (e.g. situational leadership, contingency theory, and path-goal theory). Effective leadership is not just reliant on traits or characteristics that leaders, followers, and situations have. It goes beyond personal characteristics of leaders to the characteristics of the relationship between the two parties that demonstrate the quality of exchange ( Northouse, 2007). A leader should encourage interactions with the members which will impact organizational effectiveness and efficiency. (Hackman & Wageman, 2005; Yukl, 2008). Thus, the relevant approach to explaining this is to conceptualise leadership as a process that is centred on the interactions between leaders and followers (e.g. Sparrowe, Liden, Wayne & Karimer, 2001; Graen & Uhl-Bien, 1991, 1995; Popper, 2004; Yukl, 2010). In this approach, the exchange between the leader-member (dyad), a two-way relationship, is the unique basic premise and the unit of analysis of LMX (Dansereau, Graen, & Haga, 1975; Graen & Cashman, 1975; Truckenbrodt, 2000).

### *Job role ambiguity*

Kahn et al. (1964), Walker et al. (1975) mentions that role ambiguity occurs when employee does not have sufficient information about the job to be performed. (Chenet, Tynan, & Money, 2000; Sutherland, & Cooper, 1991). In case during induction if newcomer's roles were not defined in a clear way, those newcomers might experience role ambiguity. Role ambiguity is defined as the existence of a lack of clarity in the roles an employee is expected to fulfill. Since employee needs to understand clearly what his or her role is, not having clarity about one's role may lead to higher levels of job stress and also directly lead to lower levels of job satisfaction (Slattery et al, 2008). Role ambiguity is perceived as the situation where an individual does not have a clear direction about the expectations of his/her role in the job or organization (Rizzo et al, 1970). This ambiguity may be due to inadequate training, poor communication, or the deliberate withholding or distortion of information by a colleague or supervisor (Luthans, 1989).

### *Service effectiveness*

Service effectiveness as a term has led to huge amount of interest and is a topic of never ending discussion among the practitioners and academicians because of the ambiguity in both phrasing it and quantifying (Wisniewski, 2001). Service effectiveness is explained in general as the level to which a particular service matches with the customer expectations or desires (Wisniewski and Donnelly, 1996). Service effectiveness is thus quantified by measuring the gap between customer expectations of service and customer perceptions of service. (Parasuraman *et al.* 1985).

### Model of Service effectiveness Gaps

The service effectiveness gap model contributed by Parasuraman *et al.*, 1985; Curry, 1999; Luk and Layton, 2002 identifies 7 gaps with respect to service effectiveness. The gap model is one of the best models in the services literature (Brown and Bond, 1995). The seven gaps identified in the service effectiveness concept, are briefed in Figure 2.

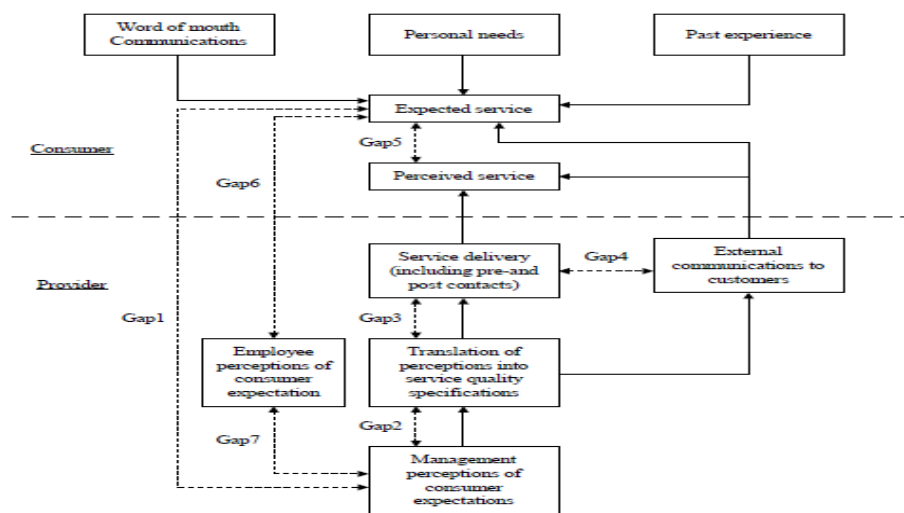


Figure 1. Model of Service effectiveness gaps (Parasuraman *et. al.*, 1985; Curry, 1999; Luk & Layton, 2002)

The first six gaps (Gap 1, Gap 2, Gap 3, Gap 4, Gap 6 and Gap 7) are viewed as functions of the way in which service is delivered, whereas Gap 5 relates to the customer and as such is considered to be the actual measure of service effectiveness. The role episode model, social exchange theory, inducement contribution theory explained below focuses on reduction of the seven gaps investigated in the service effectiveness model to improve the quality of service delivery leading to increased customer loyalty and store profitability.

### LMX impact on job role clarity /ambiguity and service effectiveness

The quality of leader member exchange relationships can have an influence on role ambiguity

as LMX do have to some extent impact on role making and social exchange (Graen,1976). For the purpose of this study “role making” means the part played by a person in a particular social setting, influenced by his expectation of what is appropriate. There are a few theories which influence the role ambiguity and service effectiveness, they are social exchange theory and inducement contribution theory. Social exchange theory primarily explained the motivation behind the attitudes and behaviors exchanged between individuals (Blau, 1964). Later on this theory was extended to explain the relationship between the individuals and the organizations which they work for by Eisenberger et al (1986). Similarly according to March and Simon(1958), suggest that an employee’s decision to continue participation in an organization is based on the balance between the inducements offered by the organization and the contributions expected of the employee. However we elaborate another model called role episode model which is holistic in nature.

#### *Role episode model*

Role episode model (Katz and Kahn, 1978) also known as interactional management tool is a model between Role Set Members & Role Incumbent i.e. in case of research under study the sales managers and sales personnel respectively. For integration of LMX, role ambiguity and service effectiveness role episode model is very useful. The model reflects relationship between role senders and role recipient or role incumbent. The role incumbent and role sender occupies a particular position in the organization. The basis of this position occupied by both the parties (role incumbent & role sender) normally governs the communication pattern between the two. The role episode model comprises of a recurring series of communications between Role Set Member and the Role Incumbent. This process continues until the role episode terminates, creates shared expectations or postpone negotiations.

According to role episode model **Figure 2** there are organizational, personal, and interpersonal factors which have impact on the role episode model. The organizational factors include structure, level in the organization, role requirements, task characteristics, physical setting, and organizational practices. The personal factors (which can be applied to both the role senders and focal person) refer to such variables age, sex, and number of years in the organization. The interpersonal factors in the relationship between role senders and focal person include frequency of their interactions, pattern and mode of communication, influence of role set member on role incumbent, physical location, visibility, feedback and participation. The role sender can be the role incumbent’s superior, subordinate, client, co-

worker etc. In case of research under study the role sender is the superior i.e. sales manager and focal person or role incumbent is the subordinate i.e. sales personnel.

Based on the previous literature Kahn et al (1964) found lower levels of service effectiveness and job satisfaction for those with high job role stressors i.e. role conflict and ambiguity. Rizzo et al (Rizzo, House, and Lirtzman, 1970) found the same thing and supported the Kahn et al theory. The role episode model is used by various researchers to identify predictors associated with role stress in order to reduce stress which can increase job satisfaction and thus service effectiveness by promoting high quality relationships between leader and member as low quality leader member relationships leads to increased role ambiguity leading to decreased service effectiveness.( Igharia and Greenhaus, 1992).

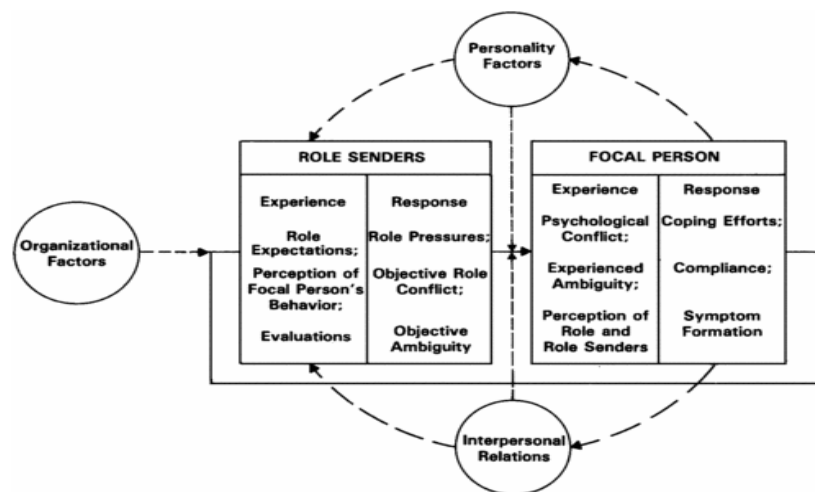


Figure 2. Kahn et.al Role Episode Model

With respect to the primary and secondary data collected from the selected department store the role-making process involves in the start a testing period where the leader examines the degree to which the role incumbent accepts or rejects the communication send by the role set member. In turn one of the basis for deciding the quality of LMX relationship is role communication outcome i.e. task effectiveness delivered by the role incumbent. This initial testing period decides the quality of LMX relationships leading to either high or low quality relationships between the supervisors and subordinates. It was seen that with respect to selected department stores supervisors in low-quality LMX relationships provided information that were based only on the formal employment contract (Liden et al. 1997). Therefore, even subordinates feel obligated to complete only those task that are required to be delivered by them as per formal job description (Gouldner, 1960). This environment is not healthy when it comes to a service setting like department store wherein the major job of sales

personnel is to reflect high level of extra role performance towards the customers by handling the emotional levels of different customers in different situations. It is essential for employees who handle the emotional levels of customer to work in an environment which is conducive for their own high self emotional appraisal. For an environment to be conducive for high self emotional appraisal of the employees their relationship with the supervisors matters a lot (Bettencourt & Brown, 2003).

Experiencing low quality relationship with superiors can lead to role ambiguity due to less amount of interaction between the superior and subordinate and this may lead to psychological discomfort for individuals due to the lack of uncertainty or control that they may experience. Specifically, role ambiguity is directly influenced by LMX quality. A subordinate in a high-quality LMX relationship will experience low levels of role ambiguity as a result of the increased supervisor support and communication that they receive as compared to a subordinate in a low-quality LMX relationship. This decreased level of role ambiguity will subsequently lead to decreased levels of stress for subordinates in high-quality LMX relationships. Thus high quality of LMX can help to increase the prosocial performance of employees by increased organizational citizenship behaviors towards customers leading to increase in service effectiveness (Tangirala et al., 2007). This study suggests that the high quality relationship between the supervisor and the employee, leads to the employee feeling more obliged to repay the supervisor and the organisation (Gouldner, 1960). Thus, attitudes that employees specifically develop towards the organisation and its customers can be said to be strongly influenced by LMX. This aspect focuses on ‘organisational identification – a variable that indicates the level to which employees perceive a psychological oneness with the organisation’ (Tangirala et al., 2007, p. 309) and customer orientation – a variable that describes employees’ attitudes towards customers (Donavan et al., 2004).

### **Case study – focused on job role stress, LMX and service effectiveness**

The current study focuses on XYZ department store (not the store’s actual name) established in 1991 having branches in western, central and harbor suburbs of Mumbai, the financial capital of India. The individual branches are placed at places which are crowd puller. The objective of the large size, independent high-street and mall format is to bring captive footfalls into the stores to make successful conversion into business. Currently the XYZ store is dealing with over 260 brands of garments and accessories. The demographic profile of customers at XYZ falls between the age group of 16 years and 35 years, the majority of them being families and young couples with a monthly household income above Rs. 20000 and an

annual spend of Rs.15000. Their target customers include upper middle class and upper class who along with product quality also demand customer service excellence. For this purpose the HR policy of the store focus on bringing together highly talented people in a creative, collaborative environment. The impact of quality of leader member exchange on job role ambiguity and service effectiveness is an important determinant of customer service excellence and thus the case study focuses of this aspect of HR (Katz and Kahn, 1978). For this study we interviewed sales manager Mr. X (Identity changed) and his 4 subordinates (sales personnel) named Mr.A, Mr. B, Mr.C, Mr.D and their work interactions were observed with the prior permission of HR department for a period of 3 months to identify the link between job role ambiguity, quality of leader member exchange (LMX) and service effectiveness with respect to the primary data. For secondary data collection the various sources that have been explored for the study are various reports of employee records from the selected department store, books, magazines, journals, e-journal, published research papers and dissertations. The main aim of this study is to extend the theories and model's described in previous sections to departmental store setting to link quality of LMX with job role ambiguity and service effectiveness.

The demographic profile of sales manager (leader) and sales personnel (subordinates) is as follows:

Name	Gender	Age	Caste	Marital Status	Based in
Mr. X	Male	48 yrs	Gujarati	Married	Mumbai
Mr. A	Male	27 yrs	Muslim	Single	Immigrant
Ms. B	Female	30 yrs	Dhangar	Married	Immigrant
Ms. C	Female	27 yrs	Gujarati	Single	Mumbai
Mr. D	Male	31 yrs	Gujarati	Married	Mumbai

Table 1: *Demographic profile of sales manager and sales personnel*

On the basis of interview and observation it was seen that Ms. C and Mr. D were the in-group members and Mr. A and Ms. B were the out-group members under leadership of Mr. X. According to the role episode model, social exchange theory and inducement contribution theory the organizational factors were constant in all the cases above as the sales managers and sales personnel all belonged to the same organization. But in the above mentioned case the personal factors differed and this led to the difference in the interpersonal factors. These differences further led to creation of in-group and out-group members leading to reduction in synergy of the entire team. The appraisal report of Mr. A, Ms. B Ms. C, and Mr. D was studied for consecutive 3 yrs from the date of joining, it was seen at in the start all performed



at the same level but as the in-group ,out-group phenomena started the performance of Mr. A and Ms. B who were treated as out-group members declined and absenteeism rate increased. The opposite was true for Ms. C and Mr. D who were treated as in-group members. When Mr. A and Ms. B was further questioned with respect to decline in performance it was found that major reason they gave was ambiguity with respect to communication from the sales manager leader leading to feeling of being left out and confusion. It was also interpreted by the observations made that Mr. X favored Ms. C and Mr. D as all 3 of them belonged to the same caste. This proves that quality of LMX do have influence on job role ambiguity and service effectiveness and hence needs to be tackled with utmost care.

### **Limitations**

The current study is limited by the use of a single format of organized retail, homogenous sampling organizations, lack of quantitative data analysis approach and confidentiality with respect to names of departmental stores from which data is obtained from sample as the topic of stress is a sensitive.

### **Scope of future research**

While adding to the existing research already conducted in the area of frontline employees, this study lays the groundwork for future research on LMX, Job role stressors, service effectiveness and its impact on motivation levels of frontline employees, attrition rate etc. Future research can seek to obtain a further understanding of LMX relationships and explore the additional organizational outcomes that may result from this process.

### **Implications**

It can be implied from the above study that LMX theory is best understood within the leadership making model proposed by Graen and Uhl-Bien (1995). Overall, results of studies suggest that having a high-quality relationship with one's leader can affect the entire work experience in a positive manner, including reduction in job role ambiguity, increase in performance and improved service effectiveness (Gerstner & Day, 1997).

### **Conclusion**

The study suggest that instead of treating leadership as a role it can be treated as a process and the leaders should be sensitized by the organizational training with respect to the impact their behaviors and decisions have on followers and organizations growth.

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# THE ROLE OF HUMAN RESOURCE MANAGEMENT IN SERIAL ACQUISITIONS IN LUXURY & FASHION INDUSTRY

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## Abstract

The paper investigate the influence of HR activities during the post-M&A integration management in serial acquisitions in creative-intensive industries, like the fashion industry, and the influence on organizational performance. Many studies analyze two main dimensions, which improve the organizational performance: the Knowledge sharing (KS) and the Employee retention (ER). In creative-intensive industries there is a high risk related to lose creative talents, but, submitting creative talents to an intensive knowledge sharing, there is a risk to change and influence too much them, losing the uniqueness and specificity of the group of designers. To avoid the homogenization of the creative visions of the different companies in the same group, human resource management in serial acquisitions often chooses an ambidextrous approach, more tight and replicative on commercial and marketing functions, more loose and path-dependent on production and creative functions. Analyzing several acquisitions of one of leading fashion Italian company, the paper propose a model, where ER is critical in creative positions, and the KS is critical in managerial and market knowledge. Results clarify the assumption of the real value of human resources that involve the knowledge and competencies during the M&A process' stages in creative-intensive companies.

***Keywords: Mergers&Acquisitions, Fashion&Luxury, HR Management, Organizational Performance, Serial Acquisitions, Creative-intensive industry, Knowledge sharing, Employee retention, Learning and Development.***

## **Introduction**

The aim of this paper is to investigate the influence of HR activities during the post-M&A integration management in serial acquisitions in creative-intensive industries, like the fashion industry, and the influence on organizational performance. Many studies analyze two main dimensions, which improve the organizational performance: the Knowledge sharing (KS) and the Employee retention (ER). In creative-intensive industries, these dimensions have a different impact and a different management in comparison with practices used to manage the people issues in Information Communication Technology (ICT) industry. From one hand, there is a similar high risk related to lose creative talents, but at the other hand, submitting creative talents to an intensive knowledge sharing, there is a risk to change and influence too much them, losing the uniqueness and specificity of the group of designers. To avoid the homogenization of the creative visions of the different companies in the same group, human resource management in serial acquisitions often chooses an ambidextrous approach, more tight and replicative on commercial and marketing functions, more loose and path-dependent on production and creative functions. The choice of F&L industry was acted by the very high frequency of M&As deal that have been undertaken in the F&L made in Italy industry since the end of the 90s, and also, because that shows the actual importance of the human capacity such as the creativeness. The dimensions KS and ER, if managed in this peculiar way, can make some synergies to exploit for getting competitive advantages. These dimensions are managed by activities, practices and projects disburged by the organizational function HR – Learning and Development. The function HR - Learning and Development, on the other hand, has to consider the cultural differences of the unlike companies that are going to be merged (or acquired). With cultural difference is investigated the difference in national culture (during cross-border acquisition) and company culture. Finally, the function HR – Learning and Development to cope the organizational changing scenario, is able to use communications as a tool to fill the information / knowledge gap required to meet / learn the new organizational entity.

## **Design**

The starting point of the paper is the impact of Knowledge Sharing and Employee Retention on organizational performance in serial acquisitions. After a literature review on development of synergies, there is a comparison between ICT industry, which competitive advantage is primarily based on knowledge and the Luxury&Fashion industry, primarily based on

creativity. Analyzing several acquisitions of one of leading fashion Italian company, the paper propose a model, where ER is critical in creative positions, and the KS is critical in managerial and market knowledge. With this case study on several acquisitions of a leading Italian fashion company, this paper would clarify the assumption of the real value of human resources that involve the knowledge and competencies during the M&A process' stages in creative-intensive companies.

## **Methodology**

The study proposed in the paper uses a qualitative methodology. The study explore the correlations between the theoretical assumptions, and the work practices actually used from the organizational function HR – Learning and Development of the leading Italian company, to develop the KS and ER level. The hypothesis of correlation proposed into the paper are investigated, and the empirical evidences of correlation are collected through a semi-structured interview with the HR Management.

## **Findings**

Results underline the detected correlation between the theoretical assumptions and the actual work practices used by the organizational function HR – Learning and Development, result positively connected. The knowledge sharing and the employee retention involve the improving of the organizational performance of the whole group. Both dimensions are influenced directly and indirectly by practices, activities and projects disbursed by HR – Learning and Development. Findings involve also the possibility to compare the practices used by organizational functions of different industries ICT and F&L.

## **Practical implications**

The paper presents managerial tools and practices actually used during managing people issues involved in M&A processes undertaken from the fashion company. In addition, the paper propose another model built mixing the dimension of the theoretical model with the actually practices used by the organizational Function HR – Learning and Development of the company.

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# GLOBAL LEADER: THE INTERPLAY BETWEEN NATIONAL CULTURE AND LEADERSHIP THEORIES

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## Abstract

In this paper, we explore the relationship between national culture and leadership theories, stimulating a reflection about the profile of global leaders. More specifically, we argue that the Brazilian *jeitinho* (a typical cultural feature, related to plasticity and flexibility) can be understood as a cultural characteristic and as a managerial talent which provides flexibility in dealing with diversity in uncertain times. We argue for the importance of context variables (notably national culture artifacts) in the adopted leadership style of leaders. We offer a discussion that emphasizes that not considering these variables in the leadership development can undermine the organizations' capacity of self-awareness and of dealing with differences and diversity, key motors of innovation and competitive advantage.

**Keywords :** *leadership, national culture, global leader.*

## Introduction

Globalization has increased the relevance of cross cultural influences in the development of big organizations' leadership. Factors such as "national culture" are being addressed in the organizations' literature in a way to explain the required competences for a global leadership. At the same time, the growing importance of the emerging markets and developing economies is striking in both demographic and economic terms. According to the magazine "The Economist", 2013 was the first year in which emerging markets accounted for more than half of world GDP on the basis of purchasing power, aligned with the International Monetary Fund (IMF). The most impressive growth took place in four of the biggest emerging economies: Brazil, Russia, India and China, which Jim O'Neill of the Goldman Sachs investment bank acronymed "BRICs" in 2001.

In such scenario, there has been a growing interest in understanding the leadership of emerging economies and its influence on the international community. Our purpose is to show how the Brazilian *jeitinho* (a typical cultural feature, related to plasticity and flexibility) can be understood as a cultural characteristic and as a managerial talent which provides flexibility in dealing with diversity in a global outreach.

The topics of leadership and culture have attracted substantial interest from both academics and practitioners. There are positive relationships between leadership and organizational performance, showing for instance that changes in leadership can improve organizational performance. We can say that the effectiveness of a leader is a main determinant of the success or failure of an organization (Fiedler, 1996) and that specific leadership styles enable individuals and groups' success in their organizations (Den Hartog, House, Hanges, & Ruiz-Quintanilla, 1999).

In parallel, national culture has been one of the dominant areas of Human Resource Management discipline. Having people from different cultural backgrounds could be considered as an advantage according to their different values and skills. The aim of the present paper is to explore the relationship between national culture and leadership theory, stimulating a reflection about the profile of global leaders, thereby providing some insights to rethink the leader's characteristics to better meet the current demand in uncertain times.

In order to understand the contribution of Brazilian national culture in the formation of the global and contemporary leader profile, we clarify some terms in Portuguese (from Brazil) to align the perceptions and constructs. This explanation is essential to understand and analyze the interplay of the Brazilian culture with the leadership theory.

The Brazilian cultural characteristics are frequently the focus of studies related to organizational communication, management activities, organizational cultures and entrepreneurship (Pedroso, Nakatani & Mussi, 2008). Most of these studies aim to underline national culture as fundamental to understand organizations and its processes. One of our goals in this research is to analyze the interplay between some aspects of the Brazilian national culture and the characteristics associated with leaders that are valued in an international context. In sum, our aim is to answer the question: “How does the Brazilian national culture match the global leader profile?” -

### **A Contemporary Perspective On Leadership**

Leadership is widely investigated in organizational studies, given its importance for organizational performance and its complexity. There are different variables that form and influence the phenomenon, resulting in a significant number of theoretical propositions intended to improve people’s comprehension of the theme. Notwithstanding, research on leadership has still presented obstacles to its generalization. Although there are commonalities between the various definitions - the capacity to influence people, groups and society - a consistent theoretical contribution on the organizational environment has still not been fully realized (Seters and Field, 1990; Bergamini, 1994; Goffee and Jones, 2000).

Therefore, a review of these theories is important since environmental and organizational factors demand new profiles of leadership nowadays. For instance, there is a trend to view leadership not only as a management activity. There has also been criticism about the classical managerial model, which points out to the creation of new and more flexible organizational structures, based on new forms of subject-work-organizations interactions (Burns and Stalker, 1961; Vizeu, 2011).

This suggests that leadership studies should include contemporary perspectives, which have received little attention by scholars in the 1980s. Several researchers state that, up until 1970, there were three important movements in leadership studies: i) the traits approach (between 1940 and 1950); ii) the behavioral perspective (between 1950 and 1960); (iii) the situational approaches (between 1960 and 1970) (Bergamini, 1994; Gomes; Cruz, 2007; Vizeu, 2011).

The first movement concentrates on identifying characteristics of leaders, in order to define attributes that distinguish leaders from not leaders. These characteristics, once developed, would increase leadership potential. The second movement focused on specific leadership behavior and attitudes that contribute to superior performance. Finally, the situational approach emerged from the organizational theory of contingency and based on the

investigation of environmental factors that could restrict leaders' behavior (Seters and Field, 1990; Gomes and Cruz, 2007; Vizeu, 2011).

Although such theoretical movements have contributed to the advancement of studies on the theme, some investigations have not proved conclusive. Pfeffer (1977) points to problems related to the ambiguity of the concept and to doubts about the actual impact of leadership on organizational performance.

As a response to such gaps, the transformational leadership arose and is considered today one of the most consistent perspectives of contemporary research on leadership. The concept was introduced by Burns (1978) and fully researched by Bass (1985). Since the first initiative, different approaches have been related to this construct, such as charismatic leadership (House, 1977) and visionary leadership (Vizeu, 2011). Thus, several ideas emerging after the 1970's were grouped under a new paradigm, designated neo-charismatic leadership.

Although each study presents its peculiarities, some attributes are present in most of them, such as charisma, visionary capacity, collective values as well as emotional aspects of the relationship between leaders and led. Moreover scholars consider that transformational leaders may cause positive changes in groups and organizations (Podsakoff; Mackenzie; Bommer, 1996; Gomes; Cruz, 2007).

Charismatic leadership, as defined by House (1977) has much in common with the concept of transformational leadership by Bass (1985). The charismatic leader achieves a high level of motivation, commitment and organizational performance of his or her team, especially under conditions of crisis and uncertainty. This type of leader is usually self-confident, tries to influence the thoughts of others and has a strong conviction of his/her own ideas and conduct (Scott and Bozeman, 2003; Gomes and Cruz, 2007).

A pioneer in this field of research, Burns (1978) presented two distinct models of leadership - the transactional and the transformational - still very influential in the contemporary literature. While transactional leadership emphasizes exchanges or rewards from leaders to employees as a result of certain types of behavior, transformational leadership involves changing attitudes, motivations and behaviors of both leaders and followers (MCDowelle, 2009; Vizeu, 2011).

A fundamental mechanism in transactional leadership is the reward-punishment to stimulate employees to reach stipulated goals and to control undesirable behavior. According to this perspective the relationship between leader and employee is based on the exchange. Therefore, the focus is not on the collectivity and the moral development of the followers.

Instead, this model emphasizes self-interest and individual's immediate needs (Ba, 1985; Gomes; Cruz, 2007). As a result, the staff motivation to attain superior performance is low (Scott; Bozeman, 2003).

Transformational leadership goes beyond the exchange of incentives and proposes self-development and intellectual encouragement of followers to transcend individual interests in behalf of collective objectives. Motivation is based on shared values that go beyond self-interests. Thus, the role of leaders consists in formulating and articulating a vision for the organization recognized by all as being worthy of support (Howell; Avolio, 1993; Gomes; Cruz, 2007; Vizeu, 2011).

Transformational leadership implies mutual influence, which generates a stronger and more stable relationship. The leader's authority is legitimated by his or her ability to interact, rather than by formal power. Thus, leaders achieve success by influencing his/her followers, as well as by accepting their opinions. As a consequence, these leaders attain higher levels of personal effectiveness, team performance, satisfaction, commitment and cohesion among group members (Bruns, 1978; Gomes; Cruz, 2007).

Although some studies see transformational and transactional styles as opposites, Howell and Avolio (1993) found that some leaders present characteristics of both types, which complement each other. Transformational leaders may engage in transaction situations with their employees, but adopt transformational leadership attitudes at the same time.

Bass' (1985) contribution to the transformational leadership literature is widely recognized. His theoretical model has four principal elements: (i) *idealized influence*: which represents the capacity to influence followers by means of ideal and shared values; (ii) *inspirational motivation*, which induces employees perform better than expected; (iii) *intellectual stimulation*, that relates to the ability that leaders have of stimulating reflection; and (iii) *individualized consideration*, which consists of providing individual support to subordinates, encouraging them to self-develop (Bass, 1985; McDowelle, 2009).

According to Gladkikh (2014), in developing leadership skills essential for effective operation of global leaders in the contemporary business world, it is important to establish a conceptual profile that could be attributed to a global leader. Although transformational leadership has been widely studied, the majority of the literature is focused on the effects of transformational leadership on individual and organizational performance. Thus, there is a need to better understand the variables that impact the transformational leader, such as environmental

factors, and the characteristics of leaders associated with national culture aspects (Howell; Avolio, 1993; Scott; Bozeman, 2003).

In line with this, we feel lacking a ‘theory’ that addresses all aspects required for a global leader. For Seki and Holt (2012) all leaders are becoming global leaders, they believe an additional shift is underway that gives all people everywhere the chance to step-up as global leaders. We agree with the authors that the times require leaders with multicultural sensitivity who will face paradoxes head on, invite new voices into the dialogue, and collaborate across sector and national boundaries to find more sustainable solutions. It is necessary to raise the consciousness, to change some paradigms. Its is mandatory to collaborate with other disciplines in creating relevant leadership models, paradox frameworks, and tools for assessment and training that will equip global leaders to navigate all the changes ahead.

### **National Culture And Leadership**

According to Hofstede (2005) culture is “the collective programming of the mind that distinguishes the members of one group or category of people from another”. Culture at national level is defined bt Hofstede (1984) as the culture shared between people in a society or a country. Hofstede, Trompenaars and GLOBE examined employees and managers across the world aiming to identify key values from which they developed dimensions used to define the culture of organizations and nations. The implication of their research suggests the importance for organizations to understand the impact of culture has on employee and manager interactions as well as operating in a multicultural environment.

The national culture has a significant influence on people's behavior. Each individual has patterns of thinking, feelings and action potential, learned through socialization, which reflects values and cultural principles that direct the individual's actions and interpersonal relationships (Cunha, 2006). In the contemporary organizational environment aspects such as the national and local culture, its impacts on leadership performance are continuously emphasized. As result, many different variables that affect how leaders are developed and influence leadership process resulting in a significant number of new theoretical propositions intended to improve people’s comprehension of the theme. Nevertheless, research on leadership has still experienced obstacles to its generalization. Still, the common theme of “influence” can be derived from the various definitions (e.g. the capacity to influence people, groups and society).

For Triandis (1994) there are different optimal leadership styles for different national culture. As an example, he compared individualists and collectivist countries. He suggested that in



individualist countries, people think that having freedom and challenges in jobs are more important, while in collectivist cultures, people prefer security, obedience, duty, and group harmony. Javidan and Carl (2004) insisted that culture is an important variable in defining leadership effectiveness since what may work in one culture may not work in another. According to the findings of Byrne and Bradley (2007), a manager's national culture plays the dominant role in the ultimate success of international and global business, through the mediation of his/her cultural values on leadership style.

However, a consistent theoretical contribution to the organizational environment has still not been fully realized (Goffee & Jones, 2000; Bergamini, 1994; Van Seters & Field, 1990). As such, it is important to review the leadership theories and assess the current environmental and organizational factors, which demand new profiles of leadership in today's society.

#### *Brazilian national culture*

Brazil is a country where institutions operate through personal relationships as much as general rules. According to Hilal (2006), 'diversity' is not the best word for describing Brazil and Brazilians; she affirms that 'mixture' defines better. Brazil is a nation of mixed races (miscegenation), religions (syncretism), and cultures (diasporas, borderlands).

In order to understand the concept of Brazilian leadership, it is first necessary to understand the meaning of "being Brazilian". Given its historical, economic, social and political roots, a Brazilian is considered as a citizen who has had to develop a flexible, labile, plastic personality in order to survive, live and build a country. In order to face an oligarchic system, the Brazilian citizen developed what they call *jogo de cintura* - a flexibility of body and spirit to deviate from obstacles. This idiomatic expression was originally used to signify the way Brazilians play soccer as if they were dancing the *samba*. They used a swing of their hips to avoid their opponents – to deviate from the opponent's path. In life, it means that Brazilians have to avoid difficult situations (Amado & Vinagre Brasil, 1991).

The *jogo de cintura* is an aspect of what can be identified as a key to the Brazilian behaviour, the so-called *jeitinho*, a typical cultural feature, which is related to plasticity and flexibility. The *jeitinho* is the common denominator, the hermeneutic basis from which an interpretation of the Brazilian culture becomes possible. The Brazilian *jeitinho* provides us with the key for understanding what it means "to be Brazilian", and for obtaining some insights into Brazilian organizational behaviours. We do not intend to make this one feature absolute, but rather use this privileged angle so as to further deepen the understanding of our paper. Deeper components of *jeitinho* remain to be explored in further research.

Some authors have elaborated a sociological theory of the *jeito* – a way, manner, tact, appearance, adroitness, aptitude, dexterity. *Dar um jeito* is a very common expression in Brazil meaning “to find a way out” (Ramos, 1983; Campos, 1960). These authors see the *jeito* as the most genuine Brazilian process of problem managing, “despite the contents of the rules, codes and laws”. Campos (1960) argued that the *jeito* is an efficient adaptive process for living in a closed, centralized, and formalistic society, with the advantage of avoiding deadlocks, extreme solutions, and paralyzing situations – in short, all sort of outbursts.

Since Brazilians are also fond of intimacy, they like to use the diminutive suffix “*inho*” – often used as a term of endearment. Thus, the expression *jeitinho* does not mean only and strictly *jeito* (way, manner), but rather a broadly fresh and intimate game. The table 1 summarizes some terms in Portuguese and its definitions, which can help to understand some particularities of the Brazilian culture in the context of this paper:

<b>Term in Portuguese language</b>	<b>Definition</b>
<i>Jeitinho</i>	informal strategy for getting things done, clever dodge
<i>jogo de cintura</i>	flexibility of body and spirit to deviate from obstacles (originally used in soccer)
<i>Samba</i>	Brazilian dance and musical genre, originating in Bahia, northeast of Brazil
<i>dar um jeito</i>	"to find a way out", "to arrange things"
<i>Simpatia</i>	immediate affinity felt towards someone

Table 1. *Definitions of Brazilian expressions*

The use of the *jeitinho* is an alternative in the view of Brazilians. It is not a big problem when the standard way of doing something does not work, or there is not enough time to follow the conventional procedures, because there is always an alternative. The established norms are not an obstacle to overcome a situation. Usually the *jeitinho* is associated Brazil's culture characteristics (Bispo, Santos Jr & Moura, 2007).

According to the authors, the culture of the Brazilian manager is internationally known for its flexibility and adaptability. When investigating the expatriates' literature, it becomes clear that Brazilian executives are valued and sought after because they're eclectic and flexible. According to Brousseau, Driver and Larsson (2008), the Latin American executive seeks to adjust their decisions to the context and much quicker than the average of the investigated executives. The Brazilians' analysis process seems to be more intense than the Americans', adopting an even more flexible style when pressured, and the decisions are soon adjusted to the context.

Cultural traces are dynamic variables, which are influenced by the socio-institutional environment and interfere in the organization's management processes. In the organizational scenario of Brazil, as a rule, there is great flexibility and a real capacity of adapting through non-conventional manners of solving problems. Day-by-day becomes more essential to demonstrate flexibility and search for non-traditional ways to solve everyday problems. Creativity becomes an essential value that stimulates self-confidence, but also reinforces the lack of planning.

Cançado (2010) presents the question of the Brazilian leadership with a sociological point of view, correlating national culture with the leaders' global competences. DaMatta (1984, 1990) further supports this idea, reasoning that the Brazilian citizen, exposed since childhood to contradictory characteristics which are inherent to the country's culture, develop the so-called global leadership competences, which would make him or her stand out in international scenario.

Chu and Wood Jr. (2008) highlight the cultural traits that permeate organizations in Brazil and define the way that management is made in the country: (i) *jeitinho* - behavior that seeks to harmonize the rules and universal determinations with the daily needs; (ii) dissimilarity of power and hierarchy - aspects that reveal the great importance of the individual *status* and superiors' authority; (iv) flexibility - translates into people's capacity of adaptation and creativity. It refers to the ability of adjusting to adverse situations, and creativity refers to the capacity of innovation; (v) plasticity - originated from the taste for miscegenation, new and exotic things, which marked the country's colonization. The plasticity shows itself in the easy assimilation of foreign practices and habits, and reveals a propensity for aiming at models and concepts developed in other management contexts, instead of the local ones; (vi) personalism – expresses the importance given to people and personal interests above of the community's (as a whole); (vii) formalism - shows itself in behaviours that seek to reduce risk, ambiguity and uncertainty, and to increase previsibility and control over people's actions and behaviors.

#### *Brazilian National Culture Versus Leadership Theory*

Cultural differences - both between nations and organizations - are increasingly being debated (Hofstede and Hofstede 2005). There are positive relationships between leadership and organizational performance, while the links between leadership and performance and between culture and performance have been examined independently. Just few studies have investigated the association among the three concepts (Ogbonna & Harris, 2000). According to Hanek, Lee and Brannen (2014), in today's global economy, people with so-called global

experiences and mind-sets are often perceived as effective leaders in multinational corporations. These individuals presumably have more knowledge about multiple cultures, and can leverage this knowledge to manage teams and make decisions on a global scale.

According to Gill and Mathur (2007) transformational leadership style improves employee dedication, social behavior, role clarity, and satisfaction. Transformational leadership, having incorporated many elements of the previous theories, aims to analyze the leader's behavior in times of transition, asking the effort of employees in the context of value sharing and organizational view. Synthesizing some authors (Bass & Avolio, 1995; Carvalho Neto, 2010), one can identify the main characteristics of the transformational leaders, such as: (i) being active listeners; (ii) promote intellectual stimulation; (iii) being inspiring and charismatic; (iv) being examples, models to be followed (v) being agents of change.

Considering such characteristics, one could question to what extent local culture traits could be relevant to transformational leadership. Our study investigates how aspects such as *jeitinho*, *sensualismo* and *jogo de cintura*, inherent to the Brazilian culture, and which have a mainly relational nature (DaMatta, 1990), would be favorable cultural traits to new leadership styles (e.g. the transformational leadership), more akin to contemporary demands for more flexible, adaptable and creative organizational contexts.

Analysing the Brazilian environment, we identify three mainly aspects that contributed to the formation of the Brazilian leader: economic, cultural and organizational.

i) economic: With the historical of economical and politic unstability of Brazil, the Brazilian executives over than 45 years old "have seen everything". Who started a career 30 years ago already faced hiper-inflation and a 'restricted liquidity scenario', among many other challenges very characteristic from que 80s and the 90s. Which means that in a normal environment, for them its really easier to manage. Executives who worked in that period of time usually follow this motto: "do more with less".

ii) cultural: Cultural differences are constant in Brazilian companies and don't scare the managers. Countries like Norway and Sweden are very homogene and don't favour this kind of situation. In Brazil, the executive must be a 'chameleon' to extract information and develop the team.

iii) organizational: Brazil is a country with continental dimensions, and in consequence, the obstacle of working in different Brazilian regions taunt the professionals to find solutions that are not obvious. The Brazilian companies try to overcome their employees handicaps (regarding technical qualifications) with trainings and courses.

Thiago Pimenta (headhunter and partner of Flow Executive Finders), in interview for the “Exame.com” (published on line 23/01/2014) “*Brazil is like an executive hotbed for multinational*”. According to him, Brazilian professionals have characteristics valuable to big national and foreign companies, specially multinational companies. He argues that there is a conjunction of qualities linked to the political-economic history of the country to justify the Brazilian way. Anne Rossier-Renaud (Director of Mercer's Global Mobility Area), highlight that “the international transfers became more diverse to meet the business evolution and the needs of the global workforce”. In line with this Dina Pyron (Global Director of Human Capital of Ernst & Young), comments the future trends. She thinks that in the place of “expatriated” we will have “global people”, without legal ties with a particular country.

One of countless examples of the top managers exportation from Brazil is inside of Nissan Group. The human resources manager of Nissan do Brasil will assume the same function in the region that includes African, Asian, Middle-Western, and European countries and India. It's the second time that Brazilian branch exports talents to the Japanese branch in the last two years. The automaker's communication manager was nominated to managed the activities of a region that comprises more than 130 countries. According to Darcilene Padilha (Human Resources Manager of Nissan), “this shows that we are being acknowledged by successful initiatives made here in Brazil which are serving as examples of good practices for every company”.

Inside of Group Volvo, we found another example of Brazilian national culture and its impacts to the organization. In recent research, Reis and Quental (2014) identified the VM Volvo Truck as a typical example of this national culture. This truck was developed to attend primarily the Brazilian market, the core project was formed by team based in Curitiba (BR), Lyon (FR) and Gothenburg (SW). The idea of putting together the ‘French know how’ with the ‘Brazilian market demand’, plus the tradition of the ‘Swedish brand’, exemplifies a facet of the *jeitinho* of the Brazilian team. This fact is characterized not only by the idea of launching of a new product, but also by its implementation during in a post-merger period, i.e., in an environment of uncertainty, where egos, subtleties and indecisions had to be treated with “kid’s gloves” . With the Volvo:Renault trucks’ acquisition, much has been said about cultural aspects, profiles’ differences, etc. But they also had processes and working tools. Both companies – Renault (France) and Volvo (Sweden and Brazil) – had different processes to develop new products; they used different terminologies and had different decision-making processes. Volvo had the CAD (Computer Aided Design) system and all electronic

documents were generated in this format. However, Renault had a different system altogether. How could they conciliate data and processes on a single database? Volvo had a concept and Renault had a different one. In this line, to agreement all the decisions, it took them 3 to 4 years to understand each other. In the meantime, independent of the constraint environment, against all expectations, through the Brazilian way – *jeitinho*, before the agreement of the organizational structure, Volvo do Brasil introduced in the Brazilian market the first medium truck by Volvo.

What we saw in these examples was how the flexibility (trait of Brazilian national culture) contributed for the leadership performance. Based on these statements, we elaborated the table 2 which highlight the characteristics of transformational leaders and Brazilian leaders. And, as a result of this match, we suggest a profile for a Global leader.

<b>The main characteristics of the transformational leaders</b>		<b>GLOBAL LEADER</b>
being active listeners; promote intellectual stimulation; being inspiring and charismatic; being examples, models to be followed	INDIVIDUAL/TEAMS	
being agents of change.	ENVIRONMENT	
<b>The main characteristics of Brazilian leaders</b>		
Ability to deal with educational gap in the team	TEAMS	
Work in multicultural scenarios Knowing how to operate in large territories Hability of management with restrict resources and unstability	ENVIRONMENT	

Table 2. *Leader characteristics*

**Discussion**

According to what was viewed so far, we can highlight the importance of context variables (national culture artifacts) as a way to obtain more efficacy in the adopted leadership style. Also in this line, we can assume that the transformational leadership is relevant, especially if we emphasize the characteristics of the transformer leader, such as the active listening, the alterity and the charisma. In other terms, the capacity to promote transformations based on the leaders’ perspectives, their cultural specificities, and also the elements that ground their mindset, and their behaviors. This is the only way that could promote genuine transformations, that is, transformations which consider the way the leads see the change.

Testimonials from Brazilian managers who act in global contexts allow us to highlight how a diligent view toward the cultural potentials of natives and foreigners could be key elements to a successful leadership. On the contrary, not considering national cultural attributes can mean the destruction of core competencies, which are central factors of advantage and competitive differentiation. Hence, the leaders' ability to become active listeners is a relevant contribution for the transforming leadership approach.

In a global context it is becoming crucial to develop a global thinking, but strictly attached to local acting, respecting and maximizing the competence attributes of each reality. Ethnocentrism, therefore, can be the great villain in the construction of an effectively global leadership, preventing it from answering to contexts that continuously change and become more diverse.

According to Hanek et al. (2014), there is a growing segment of multicultural individuals who like Ghosn, are familiar with and competent in multiple cultures. While the psychological and managerial literatures have long explored multiculturals such as immigrants or expatriates, recent research has noted a new demographic of multiculturals who possess a more complex cultural identity: i) people who have spent a significant part of their developmental years outside their parents; ii) global cosmopolitans, multilingual people that have lived, worked, and studied for extensive periods in different cultures; iii) cultural nomads, individuals who feel at home everywhere and nowhere; iv) bicultural marginals, individuals who have internalized more than one culture, yet do not identify strongly with either or any of them.

Not developing a leadership based on this dimension might, besides being a waste of competences, undermine the capacity of self-awareness and of dealing with differences and diversity, key motors of innovation and competitive advantage. Acknowledging the others, inspiring people based on the culture and tacit elements, can become an example to be followed in both directions: from the expatriation to the repatriation, a way of promoting intellectual stimulation and therefore the development of genuine transformer leaders, builders of richer, more diverse and more innovative organizational environments.

## **Conclusion**

In accordance to what has been exposed, we can conclude that the flexibility in response to the adverse situations, and the malleability in dealing with conflicting situations make this 'talent management - Brazilian *jeitinho*' a driving force of integration with the profile of global leader. The trait of Brazilian leaders being 'to understand without issuing judgment',

and to accept and be accepted in the team without restrictions, is one of the reasons for this match.

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# THE SIDE EFFECTS OF SERVANT LEADERSHIP IN NON-PROFIT ORGANIZATIONS: EXPLORING WHEN SERVING FOLLOWERS DOES NOT PAY

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## Abstract

Leadership is a critical success factor for any kind of organization, here included non-profit ones. Nevertheless, both scholars and practitioners have pointed out that the non-profit sector is confronting a situation of leadership deficit, arguing that the ideas about the role and the attributes of the typical non-profit leader are still not clear (Ronquillo, et al., 2012; Suarez, 2010; Tierney, 2006). This study is aimed at providing several exploratory insights about a particular style of leadership that seems to be especially fitting to the non-profit sector, but which is still poorly discussed by the scientific and professional literature: servant leadership (Ronquillo, 2010). In fact, the servant leader is inspired by the intention of serving the other members of the organization, with the eventual purpose of making them wiser, more autonomous, as well as more likely themselves to become servants (Greenleaf, 1977). Drawing from the evidences collected by the Author during a participant observation performed within a work team of a charitable organization operating in Tanzania (East Africa), this study discusses several counterintuitive findings about the impacts of the servant style of leadership on the behaviours of the followers. Actually, servant leadership seems to constrain rather than to empower followers and to encourage their commitment to the achievement of the organizational purposes. Followers could become reliant on the figure of the servant leader, thus being unwilling to take initiatives. According to these findings, an agenda for further researches is suggested; as well, interesting empirical insights are discussed.

**Keywords:** *Servant leadership; third sector; leader; charitable organizations; voluntary workers.*

## **Introduction: Defining The Concept Of Leadership**

Scholars are consistent in claiming that leadership is a critical success factor for non-profit organizations, which deeply affects their effectiveness and sustainability (Durst & Newell, 2001; McMurray, et al., 2010; Siddiqi, 2001; Walsh, McGregor-Lowndes, & Newton, 2008). Nonetheless, the idea that the non-profit sector is confronting a situation of leadership deficit is common both in the scientific and professional literatures (Ronquillo, et al., 2012; Suarez, 2010; Tierney, 2006). From this standpoint, studies aimed at providing conceptual and empirical insights about the role, the attributes, and the impacts of leadership within non-profit entities are crucial to fill such a gap. For this purpose, the present paper contextualizes the concept of leadership in the non-profit sector and examines a particular style of leadership which seems to be especially fitting to non-profit entities, that is to say servant leadership.

Despite eminent scholarship has pointed out the intrinsic ambiguity of the “leadership” concept (Pfeffer, 1977), several Authors have attempted to provide a full-fledged definition of the attributes which concur to describe the “ideal” leader (Chemers, 2014; Gill, 2011; Yammarino, 2013). Actually, the scientific literature has proposed a wide array of theoretical frameworks and empirical approaches to deal with the main issues which concern the exercise of leadership. However, most of the studies are focused on the for-profit sector and split the individual, organizational, and societal perspectives from which leadership in itself can be examined (see, among the others: Barker, 2002; Bolden, et al., 2011; Rost, 1993).

Arguing that most of the studies about leadership are limited by reductionism as well as by an excessive focus on a narrow number of variables, Winston and Patterson (2006) have suggested an integrative conceptualization of leadership, which blends the different viewpoints suggested by the prevailing scholarship. More into details, the Authors understand the leader as the member of the organization who “*selects, equips, trains, and influences one or more followers who have diverse gifts, abilities, and skills and focuses the followers to the organization's mission and objective, causing the followers to willingly and enthusiastically expend spiritual, emotional, and physical energy in a concerted coordinated effort to achieve the organizational mission and objectives*” (Winston & Patterson, 2006, p. 7).

Sticking to this definition, it could be claimed that the typical leader is called to fulfil two main tasks within the organization. On the one hand, he or she is a team builder, who has to recruit and manage a group of followers in order to pursue specific goals, which are ultimately consistent with the fundamental aims and scope of the organization. On the other hand, he or

she acts as a catalyst, who fosters the followers' commitment and compliance with the mission, the vision, and the core values stated by the belonging organization, thus contributing to the enhancement of their organizational performance. Adhering to this perspective, it is assumed that the leader and the followers are simultaneously related by a hierarchical and a charismatic relationship, in which both of them play a significant role to maintain vital the relation in the long term (Howell & Shamir, 2005). In addition, the leader and the followers are involved in an exchange relationship that takes place within the boundaries of the organization and concerns both hard (such as wages and bonus) and soft (such as loyalty and trust) factors (Brower, et al., 2000).

In the light of his or her particular role, the leader has to deal with several critical issues when interacting with the followers. In turn, the way according to which these affairs are handled affects the inner organizational climate and, as a consequence, influences the ability of the organization to meet the expectations of its main stakeholders (Robertson & Naudal, 2005; Schein, 2004). First of all, the leader has to build a strong sense of community among the followers, inciting the development of an *esprit de corps* which fosters the emergence of binding relationships within the team. Moreover, since he or she operates as the main organizational reference for the actors who are included in his or her team, the leader should be involved in devising and implementing the strategic direction of the organization. In fact, the leader's participation in the strategic decision making enhances the followers' compliance with the guidelines which inspire the activities of the organization, thus diminishing the events of internal conflict due to clashing interests. In fact, the leader represents the organization to their followers; in these terms, he or she is intended at creating cohesion and balance within their team, avoiding internal struggles. Last, but not the least, the leader has to properly manage the human, technical, and economic resources which are allocated to his or her team, concurring to the enhancement of organizational effectiveness (Bass & Bass, 2009).

The assignments of the leader do not significantly change when dealing with non-profit entities, in spite of the specific attributes which distinguish the latter (Frumkin, 2005). Indeed, just like their for-profit counterparts, non-profit leaders have to handle both internal and external issues. On the one hand, they have to manage the inner relationships with the board, the staff, and the volunteers, with the eventual purposes of improving the organizational climate and enhancing the ability of the organization to satisfy the needs of its external stakeholders. On the other hand, they have to maintain the organizational relationships with the donors and the other categories of external supporters, in order to increase the long-term

sustainability of the organization (Nanus & Dobbs, 1999).

However, non-profit leaders have to deal with several challenges which are lacking in other contexts of action. In particular, they are confronted with greater difficulties when they have to evaluate the achievements of their team. Besides, when making decisions, they have to balance the compliance with market principles with the promotion of the philanthropic values which are supported by their belonging organization. Lastly, their ability to meet the expected targets strongly relies on the work of volunteers, which express specific needs if compared with paid workforce (Ronquillo, et al., 2012). In these terms, leadership within the non-profit sector exhibits some peculiarities, which should be seriously taken into consideration.

Taking into consideration these features, servant leadership could be conceived as a particular interpretation of leadership that is fitting to the non-profit sector (Ronquillo, 2010). In fact, servant leadership relies on the basic assumption that the main task of the leader is to serve his or her followers, helping them to express their full potential within the organization. In other words, the servant leader acts as a mentor, who places himself or herself at the service of the other members of the organization, with the eventual purpose of releasing their abilities and to enhance their contribution to the achievement of the main organizational goals.

Drawing from the findings of a participant observation which concerned the followers-leader relationship within a charitable organization operating in Tanzania (East Africa), this study critically discusses the role played by servant leadership within non-profit entities. In fact, it will be argued that the servant style of leadership could constrain rather than empower followers and incite their commitment to the achievement of the main organizational goals. In these terms, servant leaders could impoverish the overall effectiveness of the organization. The paper is organized as follows: the next section reviews the concept of servant leadership, examining its implementation within non-profit entities. Then, the methodology at the roots of this study is then described, providing several details about the context of the research. The findings of the study are depicted in the fourth paragraph, which paves the way to several conceptual and practical implications, which are discussed in the concluding section.

## **Grasping The Concept Of Servant Leadership Within Non-Profit Organizations**

Although studies concerning servant leadership are becoming increasingly popular (see, among the others: Beck, 2014; Hale & Fields, 2012; Parris & Peachey, 2013; Rai & Prakash, 2012; Schneider & George, 2011), there is still poor consensus on the ultimate definition that

could be ascribed to this concept. As well, it is not possible to retrieve in the literature a consolidated theoretical framework which effectively synthesizes the antecedents, the attributes, and the outcomes of servant leadership (van Dierendonck, 2011). Nevertheless, the original concept of servant leadership dates back to 1970s, when – drawing his arguments from the short novel “*Journey to the East*” by Herman Hesse – Greenleaf (1970; 1972) revisited the traditional interpretations of leadership, advocating the importance of assisting followers rather than directing them.

Indeed, Greenleaf (1977) stated that the main task of the great leader is to serve the other members of the organization, with the purpose of enhancing their organizational and professional growth. In fact, servant leadership is aimed at making followers “*wiser, freer, more autonomous, and – eventually – more likely themselves to become servants*” (Greenleaf, 1977, p. 27). According to this point of view, servant leadership is ultimately understood as a way of life and a natural feeling, rather than as a sheer management technique (Parris & Peachey, 2013). In fact, the servant leader is inherently motivated to help others in fulfilling their activities. Consistently, he or she does not pursue the self-interest within the organization, but put the needs of the followers first. As a consequence, the decisions of the servant leader are not affected by the ambition of maximizing the individual organizational greatness; rather, he or she is inspired by the desire to create a cohesive, integrated, supportive, and receptive community within the organization.

In a sum, the servant leader takes care of the followers’ well-being, assuming that the main aim of the organization is that of producing a positive impact on the life of the different categories of stakeholders who enter in contact with it (Spears, 2004). Therefore, if the traditional leader assumes that the most critical organizational concern is the ability of producing a good or providing a service that ultimately meets the expectations of the buyer, the servant leader mainly focuses on the necessity of providing meaningful work for all the members of the organization. From this standpoint, the servant leader does not dominate the followers through a command and control approach in order to enhance their responsiveness to the request of the organization. Quite the opposite, he or she fosters the empowerment of the followers, enabling each of them to play a significant and distinguishing role within the organization (Ronquillo, 2010).

Most of the scholars have adopted a mainly descriptive approach dealing with servant leadership (Parris & Peachey, 2013), addressing a lot of efforts at the identification of the

attributes which characterize the typical servant leader (Russell & Stone, 2002). Among the others, Spears (1995; 1998) pointed out ten key characteristics that depict the servant leader, deducing them from the seminal works by Greenleaf (1970; 1972; 1977). More into details, the ability to attentively listen to the followers, the emotional and sympathetic identification with them, the determination in helping the other members of the organization, the awareness about the ethics and the values which permeate the organizational environment, the ownership of strong persuasion skills, the expertise in conceptually examining problems and solving them, an effective foresight, the commitment to serve followers, the effort toward the organizational growth of the latter, and the psychological engagement to build a strong community within the organization synthesize the attributes that make a leader “servant”.

Revisiting this framework, Russell and Stone (2002) have categorized the qualities which distinguish the ideal servant leader in two main groups: functional attributes and accompanying attributes. In general terms, the former identify the inner traits of the servant leader, while the latter mainly concern the leader’s ability of interacting with his or her followers. Functional attributes embrace: a farsighted vision which makes the leader able to anticipate the unforeseeable, strong honesty and integrity, trust, modeling and pioneering, and the desire to serve, appreciate and empower followers. On the other hand, accompanying attributes include: communication and credibility, competence and visibility, stewardship and encouragement, listening and teaching, influence and encouragement, as well as delegation.

In an attempt to arrange an empirical definition of servant leadership, several authors have suggested a simplified layout of the attributes which have been discussed above. In particular, Barbuto and Wheeler (2006) claimed that a five-dimension construct is sufficient to provide a portrait of the ideal servant leader. In fact, he or she is inspired by a deep-rooted desire to make a positive difference in others’ lives (altruistic calling). Besides, the servant leader endeavours to create an organizational environment that is safe for his followers (emotional healing) and is aware of surroundings, thus being able to anticipate external contingencies (wisdom). Last but not the least, the servant leader is constantly committed toward community development (stewardship) and encourages followers to visualize the organization’s future, devising and sharing sound mental frameworks which help to deal with the main organizational issues (persuasive mapping).

Van Dierendonck (2011) has recently reinterpreted the attributes of servant leadership, identifying six major items inspiring the decisions and the actions of the servant leader:



willingness of empowering and developing people, humility, authenticity, interpersonal acceptance, ability to provide effective direction, and stewardship. Actually, the servant leader is devoted to the individual employee *per se* rather than to the organization. Therefore, he or she focuses most of his or her efforts toward the growth of the followers, who are steadily trusted to perform well. Consistently, the servant leader is incited by an innate need to serve others, supporting the establishment of reciprocal relationships with the followers which are characterized by mutual trust, respect, and obligation. However, to be successful in enhancing the growth of the followers and to provide them effective directions, the servant leader has to develop and exhibit a strong self-determination, feeling competent about the issues dealt with when interacting with the other members of the organization.

Studies aimed at assessing the organizational outcomes that could be associated with servant leadership are recent (Liden, et al., 2014). Most of them ascribe a positive impact to the adoption of a servant style by the leader, even though several scholars suggest that challenging work conditions of employees could undermine the beneficial effects of servant leadership (Asag-Gau & Van Dierendonck, 2011). According to Liden and colleagues (2012), servant leadership fosters the organizational commitment, promotes community citizenship behavior, and enhances in-role performance. In addition, it improves employee satisfaction, which in turn leads to reduced customer turnover and increased organizational trust (Jones, 2012). At the same time, job satisfaction positively affects employee loyalty, thus improving the psychological motivation of workers (Ding, et al., 2012).

Servant leadership has been also identified as a catalyst of knowledge creation (Rai & Prakash, 2012). Besides, Chan and Mak (2014) endorse the beneficial organizational impacts of servant leadership, although they point out that it could be not effective dealing with long-tenure employees, who could prefer a transactional style of leadership. Nonetheless, it is generally argued that servant leadership brings to a favorable service climate as well as to positive follower behaviors and reduced turn-over (Hunter, et al., 2013). Last but not the least, servant leadership has been associated with more employee helping and creative behavior and less employee exhaustion (Neubert, et al., 2014).

Although the attributes of servant leadership do fit with the characteristics of the non-profit sector (Murphy, 2011), studies dealing with the implementation of this style of leadership within non-profit organizations are not common (Ronquillo, 2010). In spite of this, Irving and Longbotham (2007) have argued that servant leadership paves the way to enhanced

effectiveness of team operating within non-profit entities. In fact, servant leadership and non-profit organizations share several common traits. First of all, both of them strive for bring about a change in individual and societies; as well, both of them are intended at helping others and improving their conditions of life. Last, but not the least, neither the servant leader nor the non-profit organization operate with the objective of earning a profit. In these terms, servant leadership finds in non-profit entities a fertile ground to take roots and develop.

## **Methods**

For the purpose of this study, the Author engaged in a participant observation which concerned a work team of a charitable organization operating in the fields of secondary education and vocational training for disadvantaged people in the southern of Tanzania, East Africa. In particular, the Author participated as a volunteer in a team composed of six employees of the host organization, one of which played the role of leader. All the members of the team had an organizational tenure ranging from 3 to 5 years. The team was assigned with several critical tasks for the organization, among which the planning of the educational activities, the arrangement of a reliable system to assess the educational performance of the students, and the management of the relationships with the external stakeholders of the organization, here included the main suppliers and the families of the students. The Author adopted such a qualitative approach since he did not intend to demonstrate relations between abstractly defined variables, but rather to examine in a purely exploratory way the impacts of a servant style of leadership on the work team dynamics of a non-profit organization.

In fact, the participant observation methodology consists of a conscious and systematic sharing in the life-activities and in the interests of a group of persons, which is as detailed as the circumstances permit (Kluckhohn, 1940). Whyte (1976) expanded this definition, arguing that a participant observer is a researcher who participates in social activities with the subjects involved in the study over an extended period of time, and not just in few occasions during the administration of a survey. From this standpoint, participant observation techniques do not lead to a representative coverage of the examined population; nonetheless, this method allow an increased depth of understanding and interpretation compared with other methodologies of research, thus paving the way to the collection of significant empirical insights (Vidich & Shapiro, 1955). The participant observer is called to perform a dual activity of research within the examined reality. On the one hand, he or she plays the role of an emotionally engaged participant, who is able to grasp the intimate work dynamics of the observed group; on the

other hand, he or she operates as a dispassionate observer of the lives of others, with the purpose of collecting empirical data which describe the situation of interest (Tedlock, 1991).

In these terms, the participant observer is able to gather data and information about the investigated phenomena by participating in the daily life and activities of the group he or she is dealing with. As a consequence, the findings of this activity of research are drawn from the encounter and the conversation of the researcher with the members of the examined group. As well, the interpretation of collected data is informed by the points of view of both the researcher and the participants (Becker, 1958). In other words, participant observation makes the researcher part of the examined reality, thus improving the ability of the latter to collect first hand data. As stated by Corbetta (1999), the participant observer experiences a process of personal and social identification with the group involved in the analysis, in an effort of understanding the deep reasons at the basis of the participants' behaviour.

Drawing from Spradley (1980), the research design of this study consisted of three phases (Flick, 2009). First of all, a descriptive observation was performed, with the eventual purpose of collecting relevant data to inform the orientation of the researcher within the examined field. During this phase, more concrete questions of the research have been developed, which inspired the further steps of the study. More into details, the disposition of the leader to adopt a servant style of leadership was examined; at the same time, the reactions of the followers were assessed, in order to appraise the direct and indirect impacts of servant leadership. In the second phase of the research, a focused observation was accomplished: the researcher paid attention to specific processes and problems, which were considered especially significant to meet the aims of this study. More into details, the activities examined included the management of the relationships with the external stakeholders and the assessment of the performance of the students. Lastly, selective observation was carried out to find further evidences confirming or disproving the collected findings; both interviews and focus groups have been used with the purpose of improving the richness of data collected.

The participant observation lasted a month, between September and October 2014. The researcher contemplated all the data which were gathered during the observation activity. In particular, both directed and volunteered statements of the members of the team about the phenomena of interest were considered, where the former included the answers to focused questions inquired by the observer, while the latter consisted of the confidential remarks intentionally disclosed to the observer. Both the information collected when talking privately

with individual members of the team, and the information collected when discussing in group with them were considered. As suggested by Barnes (1977), ethical and moral issues were handled by communicating in advance to all the members of the team a deeper and constructive appreciation of what the research was aimed at.

### **Findings: The Side Effects Of Servant Leadership On Followers' Behaviour**

This section presents and discusses the findings of the research, drawing from the theoretical framework portrayed in the second paragraph of the paper. According to the exploratory nature of this study, the Author did not build full-fledged propositions before the beginning of the participant observation; rather, a set of propositions has been developed in the light of the empirical findings of the research. As anticipated, during the participant observation the Author focused his attention on the predisposition of the leader to adopt a servant style of leadership, as well as on the effects of servant leadership on the followers' behaviour.

With regard to the first issue, it could be argued that the leader of the team showed most of the attributes which have been identified as key requisites for servant leadership (Spears, 2004; Van Dierendonck; 2011). First of all, during a meeting with all the members of the team to introduce the observer and to present to the latter the activities of the organization, the leader stated that her *“main purpose within this organization is to build a cohesive community of people, which fosters the values of mutual aid and support”* [Leader]. The community-building ability of the leader was recognized by one of the followers, who, during a private conversation with the observer after the meeting, revealed that he *“felt to be part of something more than an organization, (...) something like a family”* [Follower #1]. In fact, a lot of organizational practices observed during the study disclosed strong agreement and solidarity among the members of the team, such as the absence of blame for mistakes and the steady attendance at the daily meetings arranged by the leader to assess the activities of the team.

The leader was also perceived to rely on persuasion rather than on hierarchical authority. In fact, in every circumstance examined during the research, the leader did not try to dictate her points of view by virtue of her organizational legitimation; quite the opposite, she sought to convince followers about the suitability of her opinions, thus improving the cohesion of the team. As argued by one of the follower during a work session which involved three members of the team and the observer, the leader *“is always willing to listen to you, (...) to identify and*

*value your own contribution*” [Follower #5]. Indeed, both persuasion and listening skills were shown by the leader when a meeting of the work team was established to plan the educational activities for the following scholastic year. During an interview at the end of the meeting, the leader confidentially revealed that she was *“glad that the team actively participated in the planning, because involvement leads to agreement”* [Leader]. In the same circumstance, several followers who stopped to talk with the observer after the meeting admitted that they deeply trusted the leader, since *“she is always able to identify the key issues of a problem and to deal with them”* [Follower #3] and *“she is aware of the lessons taught by past events as well as of the consequences of current actions on the future”* [Follower #2].

All the members of the team were consistent in claiming that the leader acted as a steward within the organization. Indeed, during a social event at which the leader herself was missing due to institutional commitments, the followers agreed that she *“is constantly committed at the growth of the members of the organization”* [Follower #4]. Moreover, one of the followers suggested that the leader *“fosters collectivistic and pro-organizational behaviours (...) and she points all of her efforts at the maximization of the organizational outcome, also when she as to sacrifice the achievement of the self-interest”* [Follower #2].

On the other hand, a member of the team pointed out that they *“feel poorly confident when making decisions without first hearing the leader”* [Follower #5]. In other words, the followers perceive to be reliant on the advices of the leader, thus being *“reluctant to take the initiative when the leader is missing”* [Follower #3]. These findings suggest a possible counter-intuitive consequence of the servant style of leadership, which is usually overlooked both among scholars and practitioners: rather than empowering followers, it could constrain them. More into details, followers could become dependent upon the support of the leader. As a consequence, they are unwilling to adopt a pro-active role within the organization. In addition, the more challenging and critical the issues to face, the stronger the unwillingness to take a decision without the intervention of the leader. As an evidence of this side effect of servant leadership, when the members of the team had to deal with an unexpected defection of the main provider of food for the daily canteen because of some negotiation issues, they did not take any remedial action due to the temporary absence of the leader, thus producing the interruption of the canteen for three days, the same period of unavailability of the leader.

Likely, both the healing and the empathy attributes of the leader had a role in producing such a reliance of the followers on the leader. In fact, after a meeting that was arranged by the

leader to discuss the troubles provoked by the above mentioned accident, one of the follower confidentially disclosed to the observer that “*the leader always assumes the good intentions of the member of her team (...) she rarely questions or blames your behaviour when you make a mistake*” [Follower 1]. On the one hand, this approach of the leader suggests a strong healing ability. In fact, the leader herself claimed that “*the well-being of the employees as well as their psychological integrity should be constantly monitored and protected, since human resources represent the most important asset of our organization*” [Leader]. On the other hand, such a healing propensity turns into a merely protective behavior, which discourages employees to take responsibilities. This situation is witnessed by the words of a follower, who stated that she was “*glad that the leader showed a defensive and securing approach, safeguarding followers from organizational blame*” [Follower #3].

The findings of the research evidently show that the leader adopted a servant style of leadership, which produced strong organizational commitment and trust among the followers. However, the overstated inclination of the leader to serve and to heal followers generated several side effects. The members of the team are not prone to take the initiative; as well, they do not show a pro-active behavior when the leader is not available, in spite of the explicit assignment of responsibilities by the latter. In these terms, servant leadership has brought to a situation of dependency rather than empowerment. What is even more surprising, is that the reliance on the leader is stronger when challenging and complex issues are faced, contradicting the main findings of the literature in the field of servant leadership.

## **Conclusion, Limitations And Future Research**

The servant style of leadership is particularly fitting to non-profit entities. In fact, the typical attributes of the servant leader – such as the ability to establish an empathetic and healing relationship with the followers, the commitment toward the organizational growth of the employees, and the psychological engagement to build a cohesive community within the organization – are essential ingredients of the recipe for success of non-profit organizations. However, the findings of this study suggest that servant leadership could cause several side effects within the organization, frustrating its effectiveness. The desire of the leader to serve the followers as well as the willingness to support them whenever it is possible undermine the empowerment of the latter. As a consequence, the employees could feel uncomfortable when the support of the leader is lacking, thus preferring not to take responsibilities when he or she is missing. Actually, both the behaviours of the members of the team and their statements

indicate that the servant style of leadership can bring to dependence on the figure of the leader, thus preventing the organizational growth of the followers.

The findings of this study are affected by their limited reliability, which is due to the purely qualitative approach of the research. Besides, they are affected by the particular context of the research examined. More into details, the specific characteristics of the organization – a non-profit entity operating in the fields of secondary education and vocational training for disadvantaged people – and the distinguishing attributes of the team which was involved in the research make the study not easily replicable. Notwithstanding, the participant observation allowed to provide intriguing exploratory insights about the side effects of servant leadership, a topic that is usually neglected by both the scientific and the professional literatures

Actually, this paper paves the way to further theoretical and empirical developments. First of all, the conceptualization of servant leadership could be revisited, in order to contemplate its side effects. As well, empirical studies could be aimed at validating the qualitative findings about the process of disempowerment generated by servant leadership. From this standpoint, a set of research propositions could be developed, which inspire future researches: 1) servant leadership can hurt, rather than enhance, organizational performance of non-profit entities; 2) servant leadership can hinder the organizational growth of non-profit workers; 3) servant leadership makes the follower reliant on the figure of the leader.

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# STAFFING FRENCH MNCs IN ASIA: LONG-TERM EXPATRIATES VERSUS SHORT-TERM ASSIGNEES

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## Abstract

The development of global travel and high-speed communication technologies have considerably changed the way people work across borders. This contribution investigates the roles and functions of short-term assignees compared with long-term expatriates. Face-to-face interviews with 77 expatriated managers in charge of the subsidiaries of 47 French multinational companies (MNCs), located in 11 Asian countries, reveal that French expatriation to Asia is contained but not declining, with no signs of disappearing soon. In specific cases, French MNCs continue to expatriate extensively. Although the use of short-term assignments is increasing, this trend is not systematic in all MNCs. Finally, expatriates have more strategic, long-term oriented roles, whereas short-term assignees complement expatriates by taking over more operational and functional roles. These findings produce some key managerial recommendations for managing and promoting short-term assignments, as well as implications for further research.

***Keywords:*** *Expatriates, French MNCs, Short-Term International Assignments, Functions, Roles, Asia.*

## **Introduction**

The development of high-speed travel worldwide and progress in information and communication technologies have changed the way people work, especially across national borders. The academic literature (Bonache et al. 2010 ; Al Ariss & Crowley-Henry, 2013) list several options available to multinational companies (MNCs) for organizing their international work, including long-term expatriation, self-initiating expatriation, short-term assignments, commuter assignments, frequent business travel and virtual work. Collings et al. (2009) call for empirical research into such new international assignments, and Tahvanainen et al. (2005) explain that this research is necessary at the firm level to determine the motivations and underlying factors that encourage the use of short-term assignments.

In this context, expatriates are people who work in another country long enough to establish residence, and though the assignment likely will not last more than a few years (Bonache et al. 2010), spouses and families typically move with expatriates to the host country. These expatriates are costly (Latta 1999; Selmer 2003; Wong and Law 1999), are not always efficacious (Black et al. 1991; Tung 1981) and even can lead to costly failure (Harris and Brewster 1999). To limit the extensive use of expatriates, MNCs instead might send experts from headquarters or other units of their network on short-term assignments to visit their subsidiaries abroad. Tahvanainen et al. (2005) define such short-term international assignments as being longer than a business trip but shorter than a typical expatriate assignment, usually between one and twelve months. A short-term assignee is both less costly and more flexible than traditional long-term expatriates but performs some similar functions. Mayerhofer et al. (2004a, 2004b) suggest the term flexpatriates.

To shed light on factors that underlie specific international human resources management practices, as well as achieve more nuanced understanding of global staffing decisions, Collings et al. (2009) call for qualitative research. In response, we investigate recent trends in and rationales for expatriation versus short-term assignments by Western-based MNCs. Specifically, we conducted face-to-face interviews with 77 expatriated managers in charge of the subsidiaries of 47 French MNCs located in 11 Asian countries. Our sample spans large, medium and small MNCs, operating in a variety of industrial and service sectors, with or without production activities in Asia.

In the following section, we review literature on several interconnected topics: the increasing or decreasing use of expatriates, their role and functions, the increasing number of short-term assignments and their specific roles and functions. From this review, we generate a set of four

complementary research questions. Next, we detail our qualitative interview methodology and the findings corresponding to the research questions. The discussion section offers an overview of the results as a whole, as well as suggestions for human resources executives who must manage short-term assignments among their staff. We conclude with some further research directions.

## **Literature Review And Research Questions**

### *Increasing or decreasing uses of expatriates?*

According to Bonache et al. (2010), in the early 2000s, MNC managers frequently noted the declining use of expatriates, in both developed and developing countries, and their replacement by talented, carefully selected and trained local managers. Beamish and Inkpen (1998) find that Japanese MNCs reduced their expatriation, due to high costs and disappointing results, and Kühlmann and Hutchings (2010) reveal that most Western MNCs substitute expatriates with local managers in their Chinese subsidiaries. Yet Bonache et al. (2010) caution that such conclusions are not always supported by surveys of consultancies (most of which admittedly were conducted before the 2008 economic crisis), which consistently have indicated increased uses of expatriates. Furthermore, the Global Relocation Trends Survey (2010) indicates that the economic recession forced MNCs to cut back on their overseas assignments (46% of surveyed MNCs), and the Cartus (2010) survey confirms the reduced use of long-term assignments between 2007 and 2010, with an increased use of more flexible assignments. This latter survey also reveals that MNCs expect to increase all types of international assignments, including the most costly, long-term ones, with China as the likely top destination.

The number of expatriates that MNCs send to their subsidiaries also depends on several variables (Harzing 2001). First, the country of origin of the parent company is critical. Japanese and German MNCs are known for their strong expatriation culture, whereas English and French MNCs tend to transfer responsibilities to local managers. Second, the host country of the subsidiary matters: MNCs send more expatriates to developing countries, where they might struggle to find suitably qualified local staff. Third, expatriates are more common in host countries with greater cultural and institutional distances. For example, Western MNCs send more expatriates to Latin America, Africa and the Middle and Far East but fewer expatriates to Western Europe and Canada (Harzing 2001). Fourth, the size of the subsidiary and the share of capital held by its parent both correlate positively with the number of

expatriates. Jaussaud and Schaaper (2007) add that the use of expatriates increases when subsidiaries undertake production activities.

In addition, Oddou et al. (2000), Mayerhofer et al. (2004a) and Welch et al. (2007) note that employees increasingly are rejecting long-term international assignments, often due to familial constraints. The resulting ‘observed trend to reduce the use of expatriates’ requires the increasing use of short-term travels (Welch et al. 2007: 174).

These academic results thus lead to a paradoxical situation. On the one hand, French MNCs should reduce their expatriation to countries in Asia, because of the high costs of expatriation, ongoing recession in their home market, difficulty of finding well-qualified expatriates willing to live in faraway countries and the French tradition of localising management positions. On the other hand, French MNCs need to compete for new markets in Asia that feature strong cultural and institutional differences, which might drive them to send more expatriates. Because these contradictory trends create questions about French MNCs’ expatriation policies in Asia, we investigate the expatriation policies of 47 French MNCs in Asia. As our first research question, we wonder if the MNCs are increasing, stabilising or reducing expatriation to these subsidiaries.

#### *Role and functions of expatriates*

Edström and Galbraith (1977) list three main motives for sending expatriates to subsidiaries abroad: filling key positions, especially if local employees lack necessary skills; developing the management competencies of expatriate assignees; and developing the organizational structure of the subsidiary and the MNC as a whole. In their review of studies published during 2000–2007, Bonache et al. (2010) note that some studies conceive of expatriation as a cost-efficient way to control and coordinate international operations, whereas others view it as a means to transfer knowledge or an organizational development mechanism. Tungli and Peiperl (2009) cite 10 reasons to fill managerial positions with expatriates (e.g., bridging skill gaps, ensuring international experience, controlling subsidiaries, coordinating with headquarters). Moreover, MNCs might appoint expatriates to set up new operations in a specific country, train local staff, implement global standards, promote a corporate culture and learn about local business practices Suutari et al. 2013).

Harzing’s (2001) survey shows that MNCs tend to appoint more expatriates to managing director positions than to any other position, though substantial differences also appear, according to the MNCs’ countries of origin and the host countries of subsidiaries. Specifically, French MNCs appoint fewer expatriates as subsidiary managing directors than,

for example, German or Japanese MNCs (Harzing 2001). Many MNCs also staff the finance function with an expatriate, because this crucial function does not require significant knowledge of local circumstances. In contrast, MNCs tend to employ more host country nationals in functional areas that demand knowledge and understanding of local circumstances, such as marketing and sales, even with a globalised marketing approach. Harzing (2001) argues that the personnel function is the most localised, because overseas subsidiaries must comply with local employment regulations and adapt their human resource practices to the cultural background of the subsidiary's employees (see also Dabic et al. 2015 and Brewster et al. 2014). Thus, as our second research question, we wonder which positions expatriates hold in the MNCs' subsidiaries, and why.

#### *Number of short-term assignments*

Of the various types of international assignments, the use of short-term assignments increased most during 1998–2000, then continued to grow over the next five years (Petrovic et al. 2000). Mayerhofer et al. (2004b: 1385) confirm that 'flexpatriate assignments are a growing and important aspect of international business [while] providing a great deal of flexibility to the organization in the tasks to be done'. According to Bonache-Pérez and Pla-Barber (2005), short-term assignments can be valuable alternatives to costly training of local staff. Collating data from several studies, Bonache et al. (2010) conclude that short-term assignments are growing at least as fast as, and maybe faster than, standard expatriation. Therefore, the third research question of our empirical investigation asks if the generally observed trend of short-term assignments is growing among MNCs, and if so, why.

#### *Role and functions of short-term assignments*

To define roles and functions, Welch et al. (2007) interviewed 10 short-term assignees and determined that their ability to close a deal and solve problems was crucial. Mayerhofer et al. (2004b, 2012) find that the main purposes of expatriate assignments are to transfer skills and support management development, whereas short-term assignees aid projects, provide expert knowledge, support technical problem solving, conduct audits, attend meetings and conferences, deliver training courses and engage in negotiations and supervisory activities. Tahvanainen et al. (2005) identify three reasons MNCs send employees abroad on short-term assignments: (1) skill transfer and problem solving, including project implementation and troubleshooting; (2) managerial control; and (3) managerial development, especially when junior managers go abroad to gain international experience. These considerations lead to our fourth and final research question: What roles and functions must short-term assignees fulfil?

Do they serve operational roles, such as problem solving, technical assistance, negotiation, knowledge transfer or training of local employees? Are more strategic and management control functions, such as CEO, CFO and production management, instead assigned primarily to expatriates?

### **Methodology: Data Collection And Analysis**

We adopted a qualitative approach and conducted semi-structured, in-depth interviews with managers of subsidiaries in 11 Asian countries between 2008 and 2011. Asia provides the focus of our investigation for two main reasons. First, in contrast with the persistent global economic difficulties, especially in Europe, Asia continues to register strong economic growth rates. Second, the forces of globalisation continue to accelerate, leading to political, institutional, demographic and technological changes in Asia that have reduced the barriers to trade and the costs of doing business there.

We carefully selected 47 French MNCs operating in several countries in Asia. We sought to ensure diversity, in terms of firm size and organizational characteristics (e.g., location, production activities), because these variables often affect international business operations. Thus, we could obtain contrasting, comparative information that can help us understand the phenomenon better (Miles and Huberman 1994; Yin 2011).

We chose French MNCs because the authorial team includes researchers working in French institutions. However, this choice does not necessarily prevent the generalisation of the results. Enright (2005) confirms the similarity of European and North American MNCs for questions comparable to those that we investigate, and Jaussaud and Schaaper (2007) find strong similarities among MNCs from different European countries in China. Therefore, investigating French MNCs should produce results with reasonable generalisability to MNCs from other Western nations.

We interviewed high-ranking managers of the 47 French MNCs in 11 Asian countries. We aimed for saturation in each country in our sample, such that any additional interviews would not have offered any significant new information about our research questions (Symon and Cassel, 2012). To that end, we conducted 77 interviews. At the request of most of the interviewees, we do not provide the names of the MNCs; with this promise of anonymity, respondents could speak freely, without asking for permission from their supervisors. We coded the MNC names with two-letter abbreviations (e.g., AA, AB, XA) and refer to their industries in very broad terms (e.g., automotive components, pharmaceuticals, aerospace,



software, luxury goods, heavy industry). All the MNCs in our sample were major players in their respective industries.

The interviews followed a carefully designed, semi-structured interview guide. They lasted between one and two hours and were fully transcribed. We designed a thematic content analysis grid, with one column per visited subsidiary or regional headquarters and one row per question or sub-question from the interview guide, while also reflecting any specific topics spontaneously noted by the respondents. We grouped columns related to the same MNC for clarity in the analysis (e.g., for AA, we interviewed expatriates in five different countries). We systematically added contextual variables drawn from the annual reports of the 47 MNCs to understand their organizational choices better (e.g., number and location of manufacturing units in Asia, number of employees, globally and in Asia). For the data analysis, we followed the methodological steps recommended by Silverman (2005), Miles and Huberman (1994) and Yin (2011).

## **Results**

### *French MNCs limit the extensive use of expatriates in Asia, with exceptions*

Our first research question addresses whether MNCs are increasing, stabilising or decreasing their use of expatriates among distant subsidiaries, which should help elucidate the contradictory findings in prior literature. Our sample features three, nearly equal groups of MNCs: One-third of the 47 MNCs send few (i.e., 1 or 2) expatriates to most of their subsidiaries in Asia. Another one-third of the sample sends between 3 and 10 expatriates to their Asian subsidiaries, and the final group sends many expatriates.

We seek to explain this diversity. When French MNCs send many expatriates to a country or subsidiary, often it is due not to a strong general expatriation policy but rather to specific circumstances. That is, some MNCs appoint many expatriates to key countries, especially China (e.g., AA, RA). The Chinese market is of utmost importance for them, and massive expatriation helps them maintain control over their operations in this dynamic, complex environment. The MNCs also send many expatriates to countries where they plan to execute large-scale projects (e.g., building, infrastructure, metro) in a short time frame, such that they lack sufficient time to select and train local managers. Other MNCs set up regional headquarters and offices, especially in Hong Kong, Singapore or Shanghai, where they pool human resources (Enright 2005). By concentrating many expatriates with regional functions and roles, these regional management centres reduce the need for expatriates in subsidiaries in other Asian countries.

Regarding the process of localising technical and management positions, our thematic analysis of the respondents' answers reveals three situations. A first group of MNCs seek to develop their business in Asia quickly, by increasing sales, entering new markets and starting up new factories, so expatriates are vital (EB, FB, JB, NB, OA, MA, PA, RA). However, these informants also noted that key management positions could be localised progressively. Then a second group of MNCs try to transfer key subsidiary responsibilities to local managers but have not fully succeeded in doing so. They have difficulty finding qualified talent locally. This rationale largely depends on the educational level of the various Asian countries (e.g., AA, BB, DB). In China in particular, the needs are substantial, but educational levels are still insufficient, so localising key positions is challenging. Finally, a third group of MNCs states that they are localising key management positions, but the level of localisation depends on the country in which the subsidiaries operate (e.g., QA). For example, the LB informant noted, 'We must first train good local candidates before we can reduce expatriation'.

#### *Expatriates occupy strategic roles in subsidiary management*

Our second research question asked which positions the expatriates hold and why. Nearly all our interviewees spontaneously cited a CEO position, and half also mentioned the CFO. The MNCs with large Asian factories also frequently appoint expatriated production managers to these factories. In contrast with prior research (e.g., Harzing 2001), some MNCs in our sample appoint expatriate marketing managers to their Asian subsidiaries. However, marketing managers rarely function at the subsidiary or country level; rather, they take responsibility for the Asian region or a sub-region, such as Greater China or the ASEAN nations.

Responses to our question, 'Why does your firm appoint expatriates to such positions?' consisted of four main categories. First, expatriates play a traditional control role, broadly described as 'control' (CA, PA, EA) or 'protection of the MNC's interests' (GB), including 'monitoring corruption' (JA, OA). Several MNCs managing large networks of subsidiaries emphasise that this role is more important in joint ventures than in fully owned subsidiaries (FB, NB, QB, RA). Second, MNCs appoint expatriates to ensure the transfer of the corporate culture before localising key subsidiary positions (AA, FB, IA, JA, MA). Third, expatriates in Asia can share their technical expertise and competencies. Some MNCs perform complex activities that demand specific technical capabilities that only expatriates have. Fourth, MNCs appoint expatriates to their Asian subsidiaries when they must start factories, execute projects or enter new markets quickly (JB, KA, MA, PA, PB).

Our interviews thus confirm previous findings: The main functions of expatriates require a high degree of interaction with headquarters, informal networks and exact knowledge of the practices and reasoning promoted by headquarters. Some interviewees mentioned ‘trust granted by the MNC's top management’ (LA), and others confirmed that expatriates ‘serve as an interface between subsidiaries and the headquarters’ (NA, RA), ‘have deep understanding of the way of functioning of the headquarters’ (SA) and ‘have knowledge of the MNC’s global strategy’ (MB, WB) or its ‘global products’ (QA). Expatriates occupy strategic roles in subsidiary management.

#### *Widespread use of short-term assignments*

With just two exceptions (KB, PA), all the interviewees confirmed spontaneously that their MNC regularly sent experts on short-term assignments to Asia. When we consider the frequency of these short-term missions though, we can identify three groups. The first, representing slightly more than one-third of the interviewed MNCs, sent between two and four employees on short-term assignments to their Asian subsidiaries each year (DA, FB, JA, MB, PB, RA, SA, SB, TA, TB and XA). This low frequency resulted because ‘we have to reduce costs’ (JA, XA), ‘the expatriates can cope with the difficulties without help’ (DA, RA) or it is required when ‘starting a new factory or project’ (SA, SB). A second group, representing almost one-third of the MNCs in our sample, have begun to dispatch short-term assignments more regularly, such as monthly or bimonthly. For the third group, short-term assignments are frequent, such as once every week (LA) or two weeks (MA, UA), every two days (DB), permanently (LB) or ‘hundreds a year’ (GB). The contextual variables reveal that large MNCs use slightly more short-term assignments than do smaller ones. Furthermore, MNCs resort more to short-term assignees when they have structured the Asia-Pacific region into zones and clusters by creating regional offices.

Most short-term assignees live in the MNC’s country of origin. However, the large MNCs seemingly have created worldwide pools of expertise. For example, DB has dispatched critical functions throughout the world, including research and development, production technology and logistics, so that ‘it is necessary to circulate to get informed and to spread competencies’. A business-to-business software provider (LB) explains that its ‘key accounts are the same worldwide, so a project manager has to travel worldwide to the sites he has to follow’. Thus, we confirm Bozkurt and Mohr's (2011) findings that MNCs send experts from different parts of their networks to work together in a distant location.

#### *Assignments of operational and functional roles to short-term missions*

Our fourth research question addresses the most common roles and functions of short-term assignees. In response to an open-ended question about the goals of short-term missions, each interviewee spontaneously quoted two or three goals, which can be grouped into four categories. First, experts on short-term assignments provide technical expertise and assistance to subsidiaries (EB, FA, GB, NA, QB) or handle technical problems (AB, BA) that expatriates (QA) or local engineers cannot. The comments suggest that the subsidiaries require varied expertise, depending on the sector of activity (e.g., construction, telephone or automotive equipment, electrical, pharmaceutical), the nature of the technology and the country where subsidiaries are located (e.g., China, with its dynamic economy). The MNCs also rely on short-term assignments to start factories (EB, LA, RB, SB, UB) or implement computer software (GA, VA). Second, short-term assignments provide commercial assistance to subsidiaries (BB, GA, GB, JA, QB) and help implement Asian or worldwide marketing strategies (AA, HA, HB, LA, NA, OA, UB). In accordance with Bozkurt and Mohr (2011), short-term experts also help prepare bids for new contracts (BA) and close deals (IB). Third, short-term assignees conduct audits, whether financial or quality (AA, DA, NB, VA, VB). Fourth, these assignees train local employees (AA, AB, DA).

Short-term assignees thus harmonise and diffuse best practices and spread standardised technologies worldwide. Furthermore, to solve technical problems, an expert on a short-term assignment is less expensive than an expatriate. In most cases, unlike long-term expatriation, short-term assignees do not receive extra pay for their stay abroad, because such travel simply is considered part of their job. Overall then, the main roles that MNCs assign to their short-term assignees are operational and functional. This finding establishes a clear contrast with the strategic and management control roles that are overwhelmingly assigned to expatriate managers.

## **Discussion**

### *Implications for human resources practice*

The set of complementary research questions underlying this contribution has aimed to understand and explain the alternative and complementary roles and functions of expatriates, compared with short-term assignees. We find that expatriates occupy strategic and central roles in subsidiary management, whereas short-term assignees go abroad for more operational and functional roles. In line with the predictions of Bonache et al. (2010) and Mayerhofer et al. (2004b), we find that short-term assignments have gained increasing importance. However, only one-third of the French MNCs in our study frequently conduct short-term

missions to Asia. Our interviews also reveal the wide variation in uses of short-term assignments. Finally, in accordance with Oddou et al. (2000) and Konopaske et al. (2009), we find that short-term travellers develop a global mind-set that can be leveraged as a leadership development tool. As such, it is an excellent way to prepare short-term assignees for future long-term expatriation.

These obvious advantages lead to an important question: How can MNCs promote short-term assignments? Similar to expatriation, the MNCs in our sample have encountered difficulty finding a sufficient number of employees who are willing to travel extensively. The time differences between France and Asia, together with the many hours required to travel between these points, may cause short-term assignees to suffer exhaustion or lose motivation. Konopaske et al. (2009) note that employees with children are less willing to accept frequent travel assignments. This negative link even is stronger for short-term assignments, compared with long-term expatriation that would allow a spouse and children to settle with the assignee in a foreign country. Taking account of this sensitive work–family balance issue, we propose that short-term assignments may be better suited for young professionals who are unmarried or childless, whereas long-term expatriation seems better suited for mid-career managers with families.

To reduce the physical and mental exhaustion of their employees, the MNCs in our sample cited several tactics they used to reduce their need for short-term assignments. For example, some management issues, conflict resolution, hiring and accounting tasks can be addressed relatively easily through videoconferences or by setting up global virtual teams (Collings et al. 2007). However, some respondents, in line with Mayrhofer et al.'s (2008) findings, cautioned against overestimating the effectiveness of virtual assignments, because virtual communication can easily lead to misunderstandings. The difficulty associated with creating trust in multicultural teams increases when team members rarely or never meet. Therefore, global virtual work is best suited to routine functions.

When MNCs have sufficient subsidiaries in Asia, they might transfer segments of their management or engineering teams to regional management centres (Enright 2005) or headquarters, where they can concentrate this technical and management expertise regionally. Technical experts function as expatriates in Hong Kong, Singapore or Shanghai, and from these locations, they make short trips to subsidiaries throughout Asia to solve problems. For example, the local engineers of CB, working in China, travel to its regional expertise centre in

Singapore, where expatriated experts help them find solutions to their difficulties. This procedure reduces the need for the experts to travel to the Asian subsidiaries.

Another recent trend is intra-Asian assignments. For example, DA sends Japanese and Korean experts to other Asian subsidiaries on short-term assignments; PA dispatches experts from Hong Kong to subsidiaries in mainland China. Some MNCs note that language barriers and intra-Asian cultural differences (EA, EB, FB) hinder the development of such intra-Asian expertise. However, FB is confident that, with enough time, intra-Asian cultural obstacles can be overcome.

### *Implications for research*

The differences we observe empirically across MNCs in terms of their use of long-term expatriates and short-term assignments are notable, considering that the sample we consider represents the same home country culture (France) and maintains subsidiaries in the same region (Asia). From a broader perspective, we note several groups of variables that can explain, at least partially, these observed differences. In particular, the global size of the MNC worldwide and the volume of its activities in Asia are relevant. Large and giant MNCs with a strong presence in Asia send more assignees on short-term missions to their Asian subsidiaries, and they frequently establish regional headquarters in the area, where they concentrate pools of expatriates and experts. Another group of explanatory variables relates to the sector of activity and the degree of product standardisation versus local adaptation. We also note the influence of the subsidiaries' locations, reflecting the country's strategic importance for the MNC and the level of education achieved. Finally, a last group of variables involves the specific characteristics of MNCs, particularly their corporate culture and experience in Asia.

### **Conclusion**

By investigating alternative and complementary roles and functions of short-term assignees and long-term expatriates, we answer calls for more research into why MNCs use expatriates (Bonache et al. 2010) and the motivations for using short-term assignments (Tahvanainen et al. 2005). In turn, our research provides both theoretical and managerial contributions. First, we demonstrate that expatriation in Asia by MNCs may be contained, but it is not disappearing. In specific cases, MNCs continue to expatriate to great extents. Second, from a managerial perspective, we show that MNCs can reduce or contain the costs of expatriation by assigning expatriates to central roles, including control of subsidiaries and regional

coordination, while leaving more functional, operational roles to experts on short-term assignments.

Our contributions also highlight the need for continued research. In particular, our findings about the respective roles and functions of expatriates and short-term assignees should be confirmed by larger, quantitative studies that integrate other countries of origin and different regional subsidiary locations. The variables that we have listed to explain the diversity of expatriation and short-term assignments need to be tested further.

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# **EMPLOYEES` PERCEPTION TOWARD ELECTRONIC HRM USAGE: EVIDENCE FROM ORANGE TELECOM GROUP (JTG) IN JORDAN**

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## **Abstract**

There is a growing recognition in the literature on electronic HRM that their use within organizations will lead to HRM effectiveness. The introduction of e-HRM is expected to lead to more efficiency in operating many HRM activities. The purpose of this study is to present a research on attitudes towards E-HRM usage and their effect on HRM effectiveness. This study aims to present employee`s perception towards electronic human resource management (e-HRM). The study was conducted in ORANGE Telecom Company in Jordan where e-HRM in the form of self-service applications was introduced. Data were gathered from employees of the company using a questionnaire, in which 121 employees participated. Participants answered questions as to their perception towards the use of e-HRM and its contribution to HRM effectiveness. The study used quantitative techniques to test the research hypothesis. The study provided support that the perceived usage of e-HRM will lead to HRM effectiveness.

***Keywords : e-HRM, e-HRM Usage, HRM effectiveness.***

## Introduction

There has been significant changes in the way human resources (HR) are managed in recent years. In particular, the way HR practices and functions are delivered has broadened to include not only HR professionals but also through the line managers as well as with the use of information technology (Strohmeier, 2007). The intersection between information technology and HRM in relation to the so-called electronic human resource management (e-HRM) is the main focus of this study.

E-HRM can be defined as “a way of implementing HR strategies, policies, and practices in organizations through a conscious and directed support of web technology-based channels in order to comply with the HR needs of the organization” (Ruel, Bondarouk and Looise, 2004, p.281). The term ‘implementation’ implies a way of doing HRM within organizations (Ruel *et al.*, 2004). In addition, effective implementation of e-HRM suggests its influence on both the effectiveness and efficiency of the HRM system (Bissola and Imperatori, 2014). It has been argued that the implementation of e-HRM can be extremely valuable to the organization. In particular, it will increase efficiencies by reducing HR transaction costs. It can also be used flexibly on an infinite number of occasions at little or no marginal cost. Lastly, the effective use of e-HRM can free up HR professionals to provide strategic value to the organization (Heikkila and Smale, 2011).

The literature on e-HRM usage in organizations is growing (Ruel *et al.*, 2007). Also, there has been increased interests in the advantages of e-HRM usage and implementation. However, although several benefits of e-HRM usage are anticipated, researches observe a lack of research on the contribution of e-HRM toward HRM effectiveness (Marler and Fisher, 2013). To address this inadequacy and contribute to the debate on the contributions of e-HRM in enhancing HRM effectiveness, this paper comes to empirically examine the e-HRM full potential outcome of e-HRM usage in organizations. Such examination would add to our understanding of the usefulness of e-HRM usage.

This paper aims to examine the relationship between e-HRM usage and HRM effectiveness. In particular, it presents results of an empirical study on the question of whether e-HRM contributes to HRM effectiveness. However, previous studies have either focused only on technology acceptance factors which leads to e-HRM usage (Wickramasinghe, 2010) or have tested the direct relationship between e-HRM usage and few measures of HRM effectiveness (Ruel, *et al.*, 2007). For this purpose, the study builds upon the Unified Theory of Acceptance and Usage of Technology (UTAUT) model proposed by Venkatesh and others (2003) in order

to develop a conceptual framework on the intention and usage of e-HRM. Following this, it attempts to link e-HRM usage with HRM effectiveness.

### **Research on E-HRM**

The literature on e-HRM has expanded extensively since 2003 (Ruel and Van der Kaap, 2012) and academic interests in e-HRM have increased (Strohmeier, 2007). E-HRM has become a common organizational practice in many organizations today and its application has been said to have several positive consequences for the organization, including reducing cost, improving HR service quality, and improving HRM strategic orientation (Strohmeier, 2007; Bondarouk and Ruel, 2013). Moreover, studies have shown that e-HRM, as a relatively new technology-driven phenomena, is positively related to HRM value creation (Ruel and Van der Kaap, 2012; Bondarouk and Ruel, 2013) and that the use of e-HRM shifted the responsibility from HR staff to line managers and employees (Ruel *et al.*, 2004). Accordingly, e-HRM allows the HR functions to increase its value and enhance its effectiveness within organizations.

The literature recognizes three types of e-HRM in terms of their potential goals: operational, relational, and transformational e-HRM (Lepak and Snell, 1998; Bissola and Imperato, 2014). Operational e-HRM aims at improving HR efficiency by focusing on the administrative area of HRM. Relational e-HRM on the other hand aims at managing and sustaining relationships with employees by empowering employees at work (Ruel *et al.*, 2004). The last type, transformational e-HRM, aims at improving the strategic orientation of HRM by transforming HR functions (Bissola and Imperato, 2014). Bondarouk and Ruel (2013) have suggested that literature in e-HRM is mostly directed toward operational aspects rather than at improving the transformational aspect of e-HRM by improving the strategic orientation of HRM. Accordingly, while several benefits of e-HRM were anticipated, empirical support for which confirms its value is limited.

Driven by the limitations regarding empirical support for e-HRM contribution, the goal of this paper is thus to assess the link between e-HRM usage and HRM effectiveness. This calls for a well-established theoretical framework for examining the main determinants and conditions for using e-HRM system by employees.

The paper now proceeds by conceptualizing determinants and conditions that may influence employees' behavioral intention to use e-HRM system. For the purpose of this study, the UTAUT model developed by Venkatesh and others (2003) is adopted.

## **The User acceptance of The E-HRM Technology**

There have been several streams of research in the Information Technology (IT) field which have studied why individuals may adopt IT. One stream of research focuses on individual acceptance of the technology by emphasizing the role of user intention and usage as a dependent variable (Venkatesh *et al.*, 2003).

Ventakesh and others (2003) have developed the unified theory of Acceptance and Use of Technology (UTAUT) model. Under this model, four dimensions were identified as direct determinants of the intention and usage of the IT system: performance expectancy, effort expectancy, social influence, and facilitating conditions. This validated model has been used to inform recent work on e-HRM (Heikkila and Smale, 2011).

Taking each one of the four dimensions in turn, *performance expectancy* is the degree to which an individual believes that using the system will help him or her to attain gains in job performance (Ventakesh *et al.*, 2003, p 447). Performance expectancy has been found to be the strongest predictor for intention and use of the IT system. This dimension in the UTAUT model is based on five constructs from earlier models on IT acceptance like perceived usefulness and outcome expectations (Heikkila and Smale, 2011).

*Effort expectancy* refers to the degree of ease associated with the use of the system (Ventakesh *et al.*, 2003, p 450). The concept of effort expectancy is built upon concepts from previous models, such as perceived ease of use and complexity (Heikkila and Smale, 2011).

*Social influence* is defined as the degree to which an individual perceives that important others believe he or she should use the new system (Ventakesh *et al.*, 2003, p 451). Social influence acknowledges that user acceptance is shaped by social interactions and the desire to conform (Heikkila and Smale, 2011).

*Facilitating conditions* refers to the degree to which an individual believes that an organizational and technical infrastructure exists to support use of the system (Ventakesh *et al.*, 2003, p 453). Facilitating conditions includes the provision of training and computer support in addition to the systems fit with other systems and work tasks (Heikkila and Smale, 2011).

According to the UTAUT model, there are three direct determinants of behavioral intention to use the system which are: performance expectancy, effort expectancy, and social influence. Also, according to the model, there are two direct determinants of actual e-HRM usage which are the behavioral intention to use the system as well as the facilitating conditions which are available to support its use.

Also, as mentioned before, the use of e-HRM technology is expected to have an impact on the effectiveness of the HRM system. This is summarized in figure 1 which represents the conceptual model of this study.

### **HRM Effectiveness**

In order to fully understand the relationship between e-HRM usage and HRM effectiveness, it is important to know how the effectiveness of the HR system can be measured. The effectiveness of HRM system has been heavily researched since the mid-1990s in order to demonstrate how it is linked to desired organizational outcomes (Wright *et al.*, 2001). As stated by Guest (1997), there is no general theory about performance per se. However, there is a consensus with the HRM literature on the use of different performance measures.

Different studies have focused on different aspects of the organization's performance. Some studies have focused solely on financial measures (Huselid *et al.*, 1997; Shih *et al.*, 2006). Other studies focused on the balanced score card to gather data about financial as well as customers and employees indicators (Hope Hailey *et al.*, 2005). Moreover, employees satisfaction (Jamrog and Overholt, 2004), turnover (Arthur, 1994), and commitment (Macky and Boxall, 2007) were used to indicate HRM effectiveness.

In order for the HR system to be effective, it should meet the needs and demands of its stakeholders. Guest and Peccei (1994) indicated that HRM effectiveness can be measured at three levels: the integration of the HR strategy with the organization's strategy, consistency of focus for the HR policies, and how different HR practices are performed. According to authors, the effectiveness at the three levels are related to HRM system effectiveness (Guest and Peccei, 1994). In this study, Guest and Peccei (1994) categorization of HRM effectiveness was used as theoretical framework to examine the HRM effectiveness of e-HRM usage in organizations. In particular, this study examines employees perception toward HRM effectiveness at the practice and process level since employees are the clients of the HR system and they are in a better position to examine how the HR activities are performed at this level.

This level of HRM effectiveness is considered as encompassing how the HR activities are performed. For employees however, the quality level of services from using HRM system is important. According to Guest and Peccei (1994) and others (Parasurman *et al.*, 1985; Kane *et al.*, 1999), improvements in the service quality can be identified by the speed of response of the HR professional (i.e. responsiveness), the approachability and knowledge of HR

professionals (i.e. service quality), as well as the profit of HR clients of HR services (i.e. helpfulness).

## Research Model

In this research, the UTAUT and HRM effectiveness models are adopted and put together in order to explain the relationship between the perceived e-HRM usage and HRM effectiveness, as shown below in the research model at figure 1.

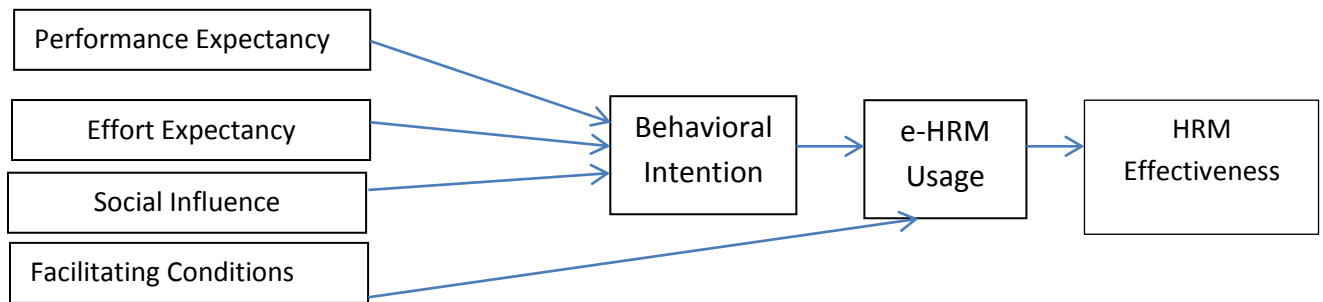


Figure 1. *Proposed Research Model*

In order to examine whether the usage of e-HRM determines HRM effectiveness, one main hypothesis will be tested, which is:

H1: e-HRM usage is positively related to HRM effectiveness.

The antecedents as determinants of e-HRM usage will also be investigated. In particular, the assessment of e-HRM usage is determined by behavioral intention to use the system which can be determined by three important dimensions: the extent to which e-HRM is perceived to be useful, easy to use, as well as the degree to which important others believe he/she should use the system. Finally, e-HRM usage is also determined by the provision of training and computer support being provided to employees. Accordingly, several other hypotheses will be tested.

Based on the UTAUT model, employees` intention to use a new IT system is determined by the factors of performance expectancy (PE), effort expectancy (EE), and social influence (SI), all of which first influence the intention to use and then influence actual usage of the system (Ventakesh *et al.*, 2003). Thus, this study attempted to posit that performance expectancy, effort expectancy, social influence of the e-HRM system are hypothesized to be positively related to the intention to use e-HRM system.

H2: Performance expectancy is positively related to the behavioral intention to use e-HRM.

H3: Effort expectancy is positively related to the behavioral intention to use e-HRM

H4: Social support is positively related to the behavioral intention to use e-HRM.

Also, according to the UTAUT model, both the intention to use any new IS and the facilitating conditions will influence the actual usage of the system. Accordingly, this study hypothesize that both the behavioral intention to use the system as well as the facilitating conditions for using it will positively influence e-HRM actual usage.

H5: The intention to use e-HRM is positively related to e-HRM usage.

H6: Facilitating condition is positively related to e-HRM usage.

## **Methods**

This study presents the results of a quantitative research being applied on a single company with the aim of determining any basis for assuming a positive relationship between e-HRM usage and HRM effectiveness across the population as a whole. This is consistent with Ruel and others (2007) study which was based on data collected from one organization.

Data were collected using a questionnaire administered in a large Telecom organization, Jordan Telecom Group (JTG), located in Jordan. JTG plays a prominent role in the information and communications technology sector. Its lineup of fixed, mobile, and internet services constitutes the real base for the country's telecommunications backbone and contributes to its integration with regional and world countries. In 2007, the Group adopted the Orange brand – the commercial brand of France Telecom Group –for all its fixed, mobile, internet and content services, marking another significant achievement for the ICT sector. This step aimed at providing the Jordanian market with the standardized world class services offered by the Orange brand. The JTG currently employs 1741 employees working at 340 different locations in Jordan.

In JTG, e-HRM practices are implemented through a system called Oracle Human Resource Management System (HRMS). Since its introduction in 2002, HRMS serves the following HR activities: HR Payroll, performance appraisal, benefits administration, HRM information system, learning management, HR self-service, and absence management. The company is in a continuous process of updating the system and introducing a more value-added activities to the system.

In order to reach high response rate, a self-administered survey was distributed and collected using a drop-off and pick-up approach (Bryman, 2008). A total of 450 employees working in JTG were invited to participate in this research while a total of 121 employees actually completed the questionnaire. This represented a response rate of 27%, and 9% of the total population.



## Measures

Items measuring e-HRM determinants (i.e. Performance expectancy, effort expectancy, social influence, facilitating conditions, behavioral intentions) were adopted from a questionnaire that has been previously used in research on the UTAUT model developed by Venkatesh and others (2003). The original questionnaire was adapted to the context of e-HRM. A seven point likert scale was used with which every item could be scored as follows: 1=completely disagree, 2=moderately disagree, 3=slightly disagree, 4=Neither Agree nor disagree, 5=slightly agree, 6=moderately agree, & 7 = completely Agree.

Performance expectancy was measured using three items (example item: “I find e-HRM technology useful in performing my Personnel tasks/activities”), effort expectancy was measured using three items (example item: “Working with e-HRM technology is clear and understandable”), social influence was measured using three items (example item: “People who influence my behaviour think that I should use e-HRM technology”), facilitating conditions was measured using four items (example item: “I have the resources necessary to use e-HRM technology, and behavioral intention was measured using three items (example item: “I plan to use e-HRM technology). Respondents were also asked to rate their actual use of the e-HRM system. Five items were used to measure use of e-HRM (example item: I use e-HRM technology for performing HR self-service).

The operationalization of HRM effectiveness focused on HR policies and programs effectiveness as well as HR practices and processes effectiveness. Items used to measure HRM effectiveness were adopted from several previously validated measures (Kane *et al.* 1999; Parasuraman *et al.*, 1985; Bowen and Astroff, 2004; Maatman 2006). Seven items were used to measure effectiveness of HR policies and programs which reflect three dimensions: distinctiveness, consistency, and consensus of HRM (example item: “The policies of the HR department are clear”). Also, eight items were used to measure effectiveness of HR practices and processes which reflects three dimensions: responsiveness, service quality, and helpfulness (example item: “When I need advice on HR issues the HR department helps me quickly”).

## Results

Table 1 shows a descriptive analysis of the data and the bivariate correlations between variables. Means and standard deviations are listed and a complete correlation matrix is presented.

The mean score on the perceived e-HRM usage is above the halfway between the extremes of the scale (M = 5.3, SD = 1.31). Dispersion around the mean is considerable which describes individual level differences about the use of e-HRM system.

Variable	Mean	Std. deviation	1	2	3	4	5	6	7	8	9	10	11
1.Gender (Log)	1.25	.43											
2.Age (Log)	2.50	.67	-.089										
3.Academic Qualification(Log)	3.01	.42	.035	-.015									
4.Experience at company (Log)	3.77	1.17	-.017	.582**	-.132								
5.Performance expectancy	4.90	1.26	-.133	-.011	.113	.059							
6.Effort expectance	5.37	1.21	-.211*	.053	.060	.097	.700**						
7.Social influence	5.15	1.15	-.171	.097	.091	.146	.737**	.750**					
8.Facilitating conditions	5.03	1.02	-.116	.067	.142	.021	.547**	.578**	.640**				
9.Behavioral intention	5.36	1.35	-.172	.056	.212*	.133	.594**	.557**	.604**	.528**			
10.e-HRM use	5.25	1.31	-.085	.031	.131	.149	.659**	.600**	.642**	.614**	.683**		
11.HRM effectiveness (policies & programs)	4.52	1.32	-.209*	.032	.084	.076	.617**	.586**	.706**	.591**	.548**	.669**	
12.HRM effectiveness (practices & processes)	4.89	1.31	-.273**	.054	.106	.154	.510**	.512**	.621**	.606**	.503**	.591**	.790**

\*Correlation is significant at the 0.05 level, \*\* correlation is significant at the 0.01 level, N = 121.

Table 1. Correlation Matrix of Study Variables

In order to test the formulated hypothesis, hierarchical regression analysis was used. For testing hypotheses H2,3, & 4, two blocks of independent variables were entered consecutively into the regression equation with behavioral intention as the dependent variable: the control variables and variables of e-HRM determinants. The inclusion of control variables will help in observing their effect on the hypothesized relationships. Results of hierarchical regression are shown in table 2. Both performance expectancy ( $\beta = 0.28$ ;  $P = 0.012$ ;  $t = 2.54$ ) and social influence ( $\beta = 0.29$ ;  $P = 0.016$ ;  $t = 2.44$ ) are significantly and positively related to behavioral intention to use e-HRM. However, effort expectancy did not have a significant effect on behavioral intention ( $\beta = 0.14$ ;  $P = 0.21$ ;  $t = 1.27$ ).

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.282	.464		2.765	.007
	Performance Expectancy	.300	.118	.280	2.539	.012
	Effort Expectancy	.160	.126	.143	1.272	.206
	Social Influence	.340	.140	.290	2.436	.016

Note: Dependent variable: Behavioral intention

Table 2. Results of hierarchical regression analysis: assessment of e-HRM determinants and behavioral intention to use e-HRM.

In order to test hypotheses 5 & 6, hierarchical regression analysis was also used with e-HRM usage as the dependent variable. Two blocks of independent variables were entered: control variables; the behavioral intention and facilitating conditions variables. Results have shown that both behavioral intention ( $\beta = 0.50$ ;  $P = 0.00$ ;  $t = 6.89$ ) and facilitating conditions ( $\beta = 0.35$ ;  $P = 0.00$ ;  $t = 4.86$ ) are significantly and positively related to e-HRM usage. These results are not surprising since the availability of proper conditions for using the e-HRM by employees as well as their behavioral intentions by employees to use the system will more likely lead to greater usage of it.

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.381	.426		.893	.374
	Facilitating conditions	.453	.093	.351	4.859	.000
	Behavioral Intention	.484	.070	.498	6.886	.000

Note: Dependent variable: E-HRM Usage

Table 2. Results of hierarchical regression analysis: assessment of behavioral intention, facilitating conditions and e-HRM usage.

Finally, for testing the main hypothesis (hypothesis 1) for the relationship between e-HRM and HRM effectiveness, the same above method were used. The results showed a significant and positive relationship do exist between e-HRM usage and HRM effectiveness of practices and processes ( $\beta = 0.59$ ;  $P = 0.00$ ;  $t = 7.99$ ), as shown in table 3.

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.780	.402		4.434	.000
	EHRM Usage	.592	.074	.591	7.986	.000

Note: Dependent variable: HRM effectiveness (Practices & Processes)

Table 3. Results of hierarchical regression analysis: assessment of e-HRM usage and HRM effectiveness (practices and processes).

In addition, there is a significant positive relationship between e-HRM usage and HRM effectiveness of policies and programs ( $\beta = 0.66$ ;  $P = 0.00$ ;  $t = 9.441$ ), as shown in table 4. This confirms that greater use of e-HRM system by employees leads to greater effectiveness in HRM.

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.654	.854		1.937	.055
	EHRM Usage	.672	.071	.661	9.441	.000

Note: Dependent variable: HRM effectiveness (Policies and Programs)

Table 4. Results of hierarchical regression analysis: assessment of e-HRM usage and HRM effectiveness (policies & programs).

## Discussion

This study aims to examine the main hypothesis that e-HRM usage will lead to greater HRM effectiveness. Also, it aims to test the relation between three determinants of e-HRM identified in the study and the behavioral intention to use e-HRM. In general, most of the hypotheses were confirmed.

In particular, performance expectancy and social influence were found to be positively and significantly related to the behavioral intention to use e-HRM system. When employees perceived that e-HRM system is useful in accomplishing HR related tasks and that their organization is supporting them to use the system then they will more likely to use it. This results supports most of the research literature on user acceptance (Ventakesh *et al.*, 2003; Ruel *et al.*, 2007; Voermans and Veldhoven, 2007; Wahyudi and Park, 2014). Interestingly, effort expectancy do not seem to have a significant positive effect on the behavioral intention to use e-HRM. Employees do not perceive a link between how easy it is to use the system and their intention to use it. Although this result does not support the UTAUT model (Ventakesh *et al.*, 2003) it confirms Ruel and others (2007) results that the perceived ease of use for the e-HRM system is not an important determinant of HRM effectiveness. That is, employees are willing to adopt the system regardless of how much difficult it is and this may suggest that employees tend to focus on the usefulness of the system itself.

Further analyses showed that, both the behavioral intention to use e-HRM system and the facilitating conditions for using the system are significantly and positively related to e-HRM usage. When employees possess the intention to use the system and when they have the

necessary resources to use it they will more likely to lead to their actual use for the system. The result agree with Marler and Fisher (2013) argument that the use of e-HRM would in the aggregate yield positive HRM activities in support of improving organizational performance. It also supports previous research on user acceptance of IT in general (Ventakesh *et al.*, 2003) and of e-HRM usage in particular (Voermans and Veldhoven, 2007). Hence, this suggests that organizations will need to provide its employees with the required technical and organizational infrastructure that support system usage.

Finally, the study showed a strong support for the hypothesized relationship between e-HRM usage and HRM effectiveness. The results support previous HRM studies that places a strong emphasis on the value the e-HRM system will create (Martin and Reddington, 2010; Marler and Fisher, 2013) and how, by implementing the system, it will help in enhancing HRM effectiveness (Ruel *et al.*, 2007; Bondarouk and Ruel, 2013). Therefore, HR professionals should be able to adopt and provide employees with an electronic-based HR system that support HRM activities.

### **Conclusion and Limitations**

This study emphasizes the relevance of e-HRM in increasing HRM effectiveness. In particular, the results of this study for a sample of employees working at Orange Telecom Group, lend support to the direct relationship performance expectancy, social influence and the behavioral intention to use e-HRM. Moreover, it supports the direct relationship between the behavioral intention to use e-HRM, facilitating conditions and e-HRM actual use. Finally, the study adds to the empirical studies that aimed to examine the relationship between e-HRM usage and HRM effectiveness.

While this study provided empirical evidence supporting the hypothesized relationships it is not without limitations. First, the study is based on cross-sectional data. This implies that limitations in determining causality as data is collected at single point in time. Another limitation concerns the generalizability of findings. This empirical study was restricted to a single company and may not generalize the results to other organizational settings.

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# ENTREPRENEURIAL COMPETENCE – PREREQUISITES FOR AN INTEGRATED FRAMEWORK FOR EXECUTIVE DEVELOPMENT

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*Keywords: Entrepreneurial competencies, executive search & development, competency model, business model, attitudes, skills and entrepreneurial mindset.*

## Introduction

In order to obtain sustainable competitiveness organizations need executives who are able to understand and develop adequate strategies and implement business models successfully. The performance of the organization depends highly on its ability to find and foster decision makers with the right entrepreneurial mindset and perception. For the recruitment, selection and evaluation of these executives a clear profile of current and future competencies is required. According to McLagan, 1996: 61 competencies can be described as behaviors that distinguish effective performers from ineffective ones; can include motives, beliefs, and values, and are generally representative of the tasks and activities used to accomplish a specific job. The competencies are typically placed in an organized framework or grid, which is then used as guide for decisions (Briscoe a. Hall 1999: 37). A key challenge lays in the concretization of the underlying model of competencies required (Campion et al. 2011). Therefore some consideration should be given to the conceptualization of a general competency model in establishing its context and key components – before thinking about the range of possible uses and adaptations.

## Approach

A competency model is required for the differentiation of criteria for valid selection and assessment processes, so called competence balance sheets (Erpenbeck and v. Rosenstiel, 2007). The development of the criteria must meet the needs of both reviewer and appraise: While the reviewers, e.g. functional managers, looking for future decision makers with assistance by HR-experts, focus mainly on definitions and prioritization of mandatory and



additional requests on internal and external candidates, the appraisals also need knowledge about the requirements as an opportunity for self-evaluation and individual career planning. Regardless to the context of the specific assessment situations and profiles requested, a comprehensive competency model can contribute to a transparent and traceable set of common development criteria and thus build the basis for a coherent communication strategy.

According to Lucia and Lepsinger, 1999: 5 “a competency models describes the particular combination of knowledge, skills, and characteristics needed to effectively perform a role in an organization”. Therefore the model should be precise enough to specify the task-related requirements on (potential) leaders in order to derive valid criteria for the selection and/or assessment decisions. At the same time, it should be sufficiently general and scalable to represent the overarching company profile: the normative, strategic, and operational shape of current and expected leadership. And finally, the competency model should provide the (future) executives with ideas and tools of assessing their roles in the overall logic of their companies’ value and performance model. A systematic approach towards the categorization of these components is needed.

## Methodology

A comprehensive competency model for personnel selection and appraisal decisions should therefore take into account the findings of the entrepreneurship research in order to derive relevant criteria in the areas of business knowledge, skills as well as attitudes and behaviors. Based on intense literature research the contribution of this research proposal is the construction of an integrative multidimensional framework of entrepreneurial competencies presented for further discussion: the "cube model of entrepreneurial competence" with focus on attitude, skills and entrepreneurial mindset (see figure below):

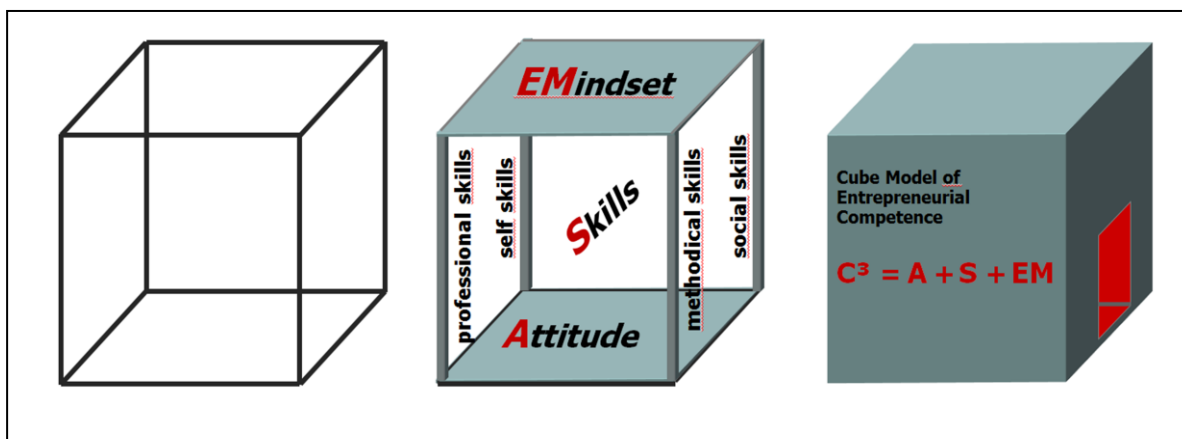


Figure 1. *The Cube-Model of Entrepreneurial Competence (3 perspectives)*

**Attitude:** The foundation of the competency model is constructed by the basic personality traits, which enable an individual's effectivity in different roles and functions. They are often operationalized by generalized lists of "desirable" properties and virtues – despite limited validity and reliability. Therefore a more differentiated approach is suggested, with regard to fitting to the specific professional roles. Orientation could be provided for example by the so called "Hexagonal" model of career choice theory by John Holland (1997) with a distinction of six personality types that fit to specific job roles in terms of maximum efficiency and effectiveness: conventional, realistic, investigative, artistic, entrepreneurial, and social personalities.

**Skills:** The “four pillars” of the competency cube model represent the key skills required to enable individual action and success. In the “front row” are qualifications related to technical and methodological challenges, which, in general, are easier to standardize: *Professional skills* comprises for example technical/expertise, strategic and analytical thinking, target tracking, decision safety, or risk assessment. *Methodical skills* refer to knowledge and learning strategies, mastery of language, numbers and symbols, project or time management, dealing with complexity, etc. Necessary for successful implementation are furthermore so called “*soft skills*” especially in dealing with others and in the self-development, this includes social competence, e.g. cooperativeness, relationship skill, empathy, communication skills, conflict management or efficient networking capabilities and “*self-skills*”, e.g. self-assurance and reflection, commitment, efficiency, value consciousness, identity, the spirit for work-life-balance and “pursuit of happiness”.

**Entrepreneurial Mindset:** The competency cube is “covered” by the necessary awareness of business basics, in form of a so-called "entrepreneurial mindset". In addition to the required technical knowledge and leadership skills, decision makers need a sound understanding of the principles and methods of an "entrepreneurial management" (Drucker 1985). In completing the competency model it is necessary to clarify the specific principles by which a company creates, delivers, and captures value – summarized and presented in a business model, e.g. Osterwalder and Pigneur 2010 or Frankenberger et al. 2013. Entrepreneurial minded executives and decision makers provide a strong focus on systematic reflection and innovation and thus enable sustainable development and competitive advantage.

## Conclusion

In the field of the typical professional and qualificational requirements (e.g. training, education, formal knowledge, work experience, level of expertise) the alignment of "supply and demand" is already relatively transparent: most criteria here are explicit and codified, for example in job descriptions, efficiency measures and certificates. Regarding the spectrum of the so-called "soft factors", most of them implicit and hard to evidence, the possibilities for internal and/or external assessment are limited, due to several operational and measurement problems. This is also and especially true for the general (and somewhat "fluffy") concept of "entrepreneurial understanding and mindset". In contrast to common requests of high levels of vocational specialization on executive level, one main purpose of this presentation is to open the discussion to a broader approach, with more focus on general understanding of the underlying logic of business models. A sustainable corporate development requires permanent reflection and adaptation of its explicit and implicit competency models, to adapt to changing business conditions, but also to ensure the essential flexibility for growth by inhomogeneity. Before establishing "final" requirements and competence profiles, the basic dimensions of an integrated competency model should be discussed first. It is to be derived from the company's mission, vision and anchored in the corporate guidelines and values. Company and task specific sub-skills and requirements for different job groups and roles can then be easier formulated – with lower risk of losing the overall view. Nonetheless, operationalization and prioritization of competencies will always be subject to various perspectives, with a tendency of shifting shapes (as noticeable in the "empty" cube in figure 1).

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# THE IMPACT OF RELIGIOUS BELIEFS AND CULTURAL IDENTITY ON WORK ETHIC

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## ABSTRACT

The cultural and religious antecedents of work ethic have long been a place for debate. This research attempts to explore the impact of religious beliefs on work ethic and the moderating effect of culture. Three studies provide evidence that thoughts related to religiosity impact individuals' work ethic. In a comparative setting, Moroccan participants who were primed with religious thoughts exhibited greater work ethic, while French participants endorsed lower degree of work ethic in the religious condition (*study 1*). For North African-French participants, religious stimuli interacted with cultural identity to predict work ethic (*study 2*). Moreover, we found a significant effect of the religious thoughts and cultural identity on work behavior, namely the level of effort (*study 3*). Specifically, religious thoughts influenced work ethic and behavior positively when the North African cultural identity was salient and negatively when the French cultural identity was salient. We argue that implicit religious beliefs can predict work ethic; however the effect is contingent on cultural setting. In cultures that historically embrace and encourage religious values, work ethic can be considered as a religious construct. In the secular cultures, however, religiosity diminishes work ethic. The contributions and implications are further discussed.

***Keywords:* Work Ethic, Religious Beliefs, Secular Culture, Franco-Maghrebiam Biculturalism, Experimental Method.**

## Introduction

Cross-cultural psychology has long been interested in how different cultures influence the way individuals construe the work values. Research on work ethic, following the tradition inspired by Max Weber (Weber, 1905), has focused on the impact of religiosity and religious values on the way individuals perceive work values.

Although this trend of research has discovered significant correlations between religious affiliations and work ethic, it mainly concentrated on specific religious denominations and did not take into account the role of the cultural settings. More specifically, the impact of believing in spirituality on individuals' work attitude and behavior has remained relatively unexplored. Moreover, almost all of these studies concentrated on the correlation between religiosity and work ethic and left the question of causality unanswered. We are interested in inquiring whether implicit beliefs in religion predict work ethic. Specifically, this research is trying to investigate the nature of work ethic and its religious and cultural antecedents.

Beliefs in religion and spirituality have always been recognized as drives for various attitudes and behaviors (Saroglou, 2011). Particularly, research on cultural and social psychology has revealed that ideological values are associated with many positive and negative psychological and behavioral outcomes. For instance, there are evidences that religious thoughts and values would directly impact psychological well-being, prosocial behavior and altruism, and self-regulatory behavior (Norenzayan and Shariff, 2008, Laurin et al., 2011, Pichon et al., 2007). Moreover, research has shown that religiosity not only could shape, be part of, and be influenced by culture, it could interact with cultural values to influence cognition, emotions and actions (Saroglou and Cohen, 2011).

This research attempts to open the doors to a new perspective on the very notion of work ethic: the positive impact of religious beliefs that holds only within the cultures that embrace values of faith. Taking the North-African culture as one of the most ideological and religious oriented contexts, and French culture as one of the most secular ones, we test this hypothesis to discover whether in North-African culture, hereafter referred as Maghrebian<sup>3</sup>, compare to European cultures, religious beliefs would predict individual's work ethic. Thus we suggest and argue that culture interacts with religious thoughts, to predict individuals' attitude and

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<sup>3</sup> Maghrib, (Arabic: "West"), also spelled Maghreb, region of North Africa bordering the Mediterranean Sea. It comprises essentially the Atlas Mountains and the coastal plain of Morocco, Algeria, Tunisia, and Libya.

behavior regarding work. More specifically, we take a different approach to provide proofs for the above hypotheses by conducting lab experiments in which we control for socio-economic variables and assess the causality direction.

Thus, across three studies, this research aims to shed light on the causal relationship between religious beliefs and individual's work ethic. By taking a cross-cultural approach, we compare individuals from Morocco and France (*study 1*) and Franco-Maghrebian biculturals (*Study 2*) in the way religious thoughts impact their work ethic. In study 3, we take a step ahead to explore the impact of religious thoughts and cultural identity on work behavior, namely effort on performing a task. We believe that the impact of spirituality is limited to the cultural milieu, whether being extremely secular in the case of French society, or rather religious in the case of Maghrebian culture. Therefore, we predict that spirituality results in a higher level of work ethic only when the culture incorporates and internalizes the religious values.

### **Is Work Ethic Religious, Secular or Culture-Specific Construct?**

Meriac et al. (2010) defines work ethic as “a set of beliefs and attitudes that reflects the fundamental values of work”. This definition originated from Weber's classification of “Protestant Work Ethic” (Weber, 1905). He established the association between religion and work values by incorporating the Protestant values into the perception of prosperity and economic growth. Based on Weber's thesis, the only religion that can provide its believers with enough level of awareness to positively influence economic emergence is Protestantism. A great deal of empirical studies has been devoted to exploring the dimensions of Protestant Work Ethic (PWE), its measurement, its antecedents and consequences (Furnham, 1984, Arslan, 2001, Meriac et al., 2010).

According to Weber's thesis the puritan belief system of Protestantism, and specifically Calvinism, encourages interaction with the divine not through clergy but by taking the responsibility for one's own actions. Weber argues that Protestantism differs significantly on this dimension from other western religions, and that provides foundations for a belief system in which work is seen as an instrument that gives meaning to life and contributes to the morals of the individual. Despite Weber's emphasis on the role of Protestant beliefs, previous research provided evidence that this construct could actually be considered as a work-oriented set of values, disentangled from Protestantism. Furnham (1990) argues that Protestant work ethic is not a unilateral belief system but a multidimensional construct. The factor analysis of

several instruments exhibited that the fundamental dimensions of PWE emphasize on need for achievement and improvement, time management to improve effectiveness, anti-hedonic lifestyle, competition, self-discipline, diligence, and teamwork. Although most of the previous research took a Weberian view and emphasized on Protestant values, others have raised the question in comparative religious settings. Arslan (2001) for instant, compared samples of Protestant, Catholic and Muslim managers on five dimensions of PWE, namely: “Hard work brings success”, “work as an end itself”, “attitude towards saving money and time”, “internal locus of control”, and “negative attitude towards leisure”. The results demonstrate that there are significant differences among three samples on various dimensions, and in general, Muslim managers endorsed a higher level of PWE compared to their Protestant and Catholic counterparts. Arslan (2001) argues that the Sufi-Muslim tradition encourages a puritan lifestyle similar to Protestantism.

Similarly, recent studies attempted to apply the theoretical framework and measures of PWE in different cultural and religious contexts (Yousef, 2001, Ali and Al-Owaihan, 2008, Arslan, 2001, Zulfikar, 2011). This body of research either finds no effect of religion, or significant effects of religious affiliations other than Protestantism, on work ethic. For instance, Islamic Work Ethic Scale has been developed by Ali (1988) in order to measure Muslim individual’s orientation toward work ethic. Although the research on cultural dimensions categorizes Islamic nations as highly collectivist (Hofstede, 1983, Schwartz, 1992, Schwartz, 1999), research on Islamic work ethic demonstrates that it is highly correlated with Protestant work ethic, job involvement and work individualism (Ali et al., 1995), as well as job satisfaction and organizational commitment (Yousef, 2001). These contradicting effects of religious affiliation on work ethic could draw more attention to the fundamental impact of religion on individual’s beliefs about work. More specifically, one could be concerned whether religion at all could have any effect on work ethic, or this construct is more embedded in characteristics of the cultural setting.

Research on work-centrality, as being one of the most important dimensions of work ethic construct (Meriac et al., 2010, Meriac et al., 2013, Arslan, 2001), reveals that part of the variance on this dimension could be traced to cultural and ethnic differences. In one study, Israeli Muslim and Jewish participants exhibited significantly different attitudes towards work (Sharabi, 2009). Although the participants are of the same nationality, Sharabi (2009) emphasizes on the role of fundamental values in ethnic subcultures. Specifically, among all the other variables, Muslim participants exhibited higher degrees of work-centrality and



negative attitudes towards leisure. Muslim and Jewish participants differ significantly on their attitude towards religion. The author argues that in the Islamic subculture there is a tendency to allocate more importance to religion and community compared to the Jewish subculture. One could wonder if there is a link between the attitude towards religion in a given cultural setting and work-oriented behavior. In other words, whether the importance of religion in any subculture could interfere with the impact of religious values on individual's work behavior. Despite the interest in exploring the nature of this construct, it appears this body of literature does not clarify the link between religion and work ethic with regard to the cultural values. First, it is not clear whether work ethic is a religious or a secular construct. Second, the importance of cultural setting, whether being hospitable or unreceptive of religious values, is ambiguous. This paper is trying to shed light to question of work ethic when it is traced back to its religious and cultural roots. More specifically we argue that religion can predict work ethic, however, this effect is contingent to the cultural context. Cultures differ in their attitude towards religion on a scale from extremely secular to extremely religious (Norris and Inglehart, 2011). This dimension moderates the effect of religion on work ethic in a sense that the more the cultural values embraces religious belief, the more the work ethic is influenced by religious stimuli. Figure 1 provides a schematic view of this hypothesis.

### **The Impact of Culture**

The social psychologists and organizational scholars have vastly explored work ethic in the western cultures, particularly the Protestant Work Ethic in the American culture. There are, however, few studies referring to the impact of religious and spiritual beliefs on work ethic in the other cultures. In this vein, we argue that the impact of religion on attitudes towards work is not limited to Protestantism but could expand to any culture that encourages internalizing spiritual values.

Many cultures do not appreciate religious values as much as the others. Specifically, in the modern secular cultures, religion is not practiced as widely as it used to be practiced and appreciated. It is noteworthy that secularism in its political sense does not necessarily result in a non-religious culture. The United States, for example, is a secular country as the separation of church and state is the first amendment to the constitution. Yet, the American culture cherishes religion and spirituality. The congressional session, many government meetings, many meetings in public and private organizations, and many school days begins with the Pledge of Allegiance to "one nation under God", and the currency of the United States is inscribed with

the motto “In God We Trust”. While the Americans try to ensure the separation of church and state, the private life of a vast majority of Americans is influenced by religion (Rifkin, 2013). In other words, the “culture of religiosity” may or may not exist in any secular and unsecular society (Norris and Inglehart, 2011).

Recently, many scholars tried to elaborate on the influence of religious values on individual’s behavior by conducting laboratory experiments. For instance, explicitly and implicitly priming with religious ideas triggered higher levels of public self-awareness and lead individuals to respond more socially desirable (Gervais and Norenzayan, 2011) and remembering God as a punishing agent decreased the cheating behavior in an anonymous setting (Shariff and Norenzayan, 2011). Many studies exhibit that religious beliefs go beyond consciously accessible cognitive domain and can act in a more implicit way (Boyer, 2003). Individuals who have been primed with concepts related to God, behaved more prosocially and generously and allocated more money to anonymous strangers (Shariff and Norenzayan, 2007). Laurin, Kay and Fitzsimons (2011) argue that because God is considered as an omnipotent, controlling force, and at the same time an omniscient, all-knowing force, priming by God concepts affects self-regulatory behavior, by increasing self-control and temptation resistance.

Furthermore, research on implicit beliefs reveal that values and belief systems are associated with their environmental features such as settings, individuals and behaviors. Encountering these means will automatically evoke the value system. Thus, there will be an automatic association between value and characteristics of the environment in which they are being frequently pursued. Once the value system is triggered, and during the time it remains salient, it drives individual’s behavior without the individual’s awareness, and thus unlikely to be controlled (Chartrand and Bargh, 2002). Accordingly, one could argue that religious beliefs, when activated, are influential as far as they are in congruence with the environmental and cultural setting.

A recent study by Uhlmann et al. (2011) reveals that religious values can also be activated and operated unconsciously to influence work performance. Americans who were primed with words related to salvation and divinity performed significantly better on the task than Canadians. The fact that even non-protestant Americans exhibited a strong priming effect confirms that the cultural heritage of Protestantism is chronically accessible for all the members of the American society regardless of individuals’ conscious beliefs and awareness.

In order to activate the cultural and religious values, they need to be first, available by being internalized and extensively experienced by the individual. Second, the cultural knowledge elements have to be chronically accessible i.e. widely shared, frequently used and cognitively accessible to members of the group. Finally, the cultural knowledge and values are to be applicable to that very situation (Hong et al., 2007).

### **Religious Values in a Non-Religious Culture**

One of the very diverse cultural contexts to inquire this issue is France. French culture is one of the most secular ones and after several rounds of revolutions, Laïcité<sup>4</sup>, has become a civil religion in this country (Chelini-Pont, 2009). In French culture, religious studies and religious symbols are banned in public organizations and media. Ironically, French culture respects Laïcité as a ‘holy’ ideology. However, about eight to ten percent of the population consists of Muslim background from North and Sub-Saharan Africa and Middle East (United States Department of State, 2012), for them the religious values have been deeply internalized through the family customs and traditions, media and religious studies at schools or colleges.

In Islamic cultures, spiritual beliefs are chronically accessible and hence, can be activated by situational cues and guide individuals’ work attitude and behavior. Moreover, the results of studies on Islamic work ethic (Ali, 1988, Ali and Al-Owaihian, 2008, Moayed, 2010, Yousef, 2001, Yousef, 2000) reveal that Islamic culture extremely inspire people to commitment to work and sincerity. Islamic work values encourage individuals to work in order to develop self-interest and social prestige, and moreover, to promote societal welfare. Islam invites people to persist on learning and working. Quran considers poverty as the promise of the Devil (Quran 2:268) and Prophet Mohammed emphasized that “*hardwork caused sins to be absolved*” and that “*to work is to worship*” (Ali and Al-Owaihian, 2008, p. 10).

In Middle-Eastern and North-African countries the Islamic values are vastly presented and respected, regarding the high degree of identification with religion (Sidani and Thornberry, 2010). Although in many societies, practicing religion is not part of the everyday life of many Muslims, the Islamic values have been highly internalized thanks to the traditional rituals, family-oriented customs, educational systems<sup>5</sup> and media. As a result, individuals in many Arab countries are expected to be highly committed to ethic of work (Ali, 1988, Ali, 1992, Ali and Al-Owaihian, 2008).

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<sup>4</sup> Laicism

<sup>5</sup>The Islamic studies are being taught in schools and families in almost all these countries.

Given the highly secularized cultural values in France, and highly religious values among North-African countries, these societies provide a comparative context for studying the impact of religion and culture on work ethic. In this regard, we conducted three studies in order to compare these cultural settings and their impact on the way spirituality influences work ethic.

## **Overview of the Studies**

In these studies, rather than restraining the research to correlational studies, we aim at identifying the causal effect of spirituality and religion on work ethic by conducting three laboratory experiments. In the first study, to assess the secular or religious nature of work ethic construct, we compare Moroccan and French participants in their implicit work ethic while the religious thoughts are activated. Taking into account that religious beliefs is vastly internalized among North African nations and considering the work as being highly valued in Islamic cultures we expect a high and positive correlation between religious thoughts and work ethic for Moroccans but not for the French participants. In the second study we take a sample of Franco-Maghrebian participants and manipulate both religious thoughts and cultural identity in order to check for the moderating impact of culture on the link between religion and work ethic. In the third study, we replicated the second study with bicultural participants in order to examine the impact of the religious thoughts and cultural identity on work behavior. Specifically, we measured participants' level of effort on an anagram task.

We expect religious thoughts to positively and significantly correlate with work ethic and level of effort, in Maghrebian culture but not in French culture.

## **Study 1**

To identify the causal link between spirituality and work ethic, in an experiment with Moroccan and French participants, thoughts related to religious beliefs were activated for the participants. They were asked to answer the implicit work ethic questionnaire.

We expect that stimuli related to God, salvation, and afterlife would impact work ethic. Consequently, we would expect a higher level of work ethic among individuals for whom the religious thoughts, implicitly and unconsciously, are activated, in the Moroccan Sample but not in the French sample.

*Participants:* We chose two different samples for this study. In the first sample, participants were thirty-six students (Mean age = 22.72, SD = 1.41, 24 females) from University of Casablanca. The majority of participants in the first sample were Muslim (2 Catholics and one unspecified). One participant was removed from the sample because he guessed the aim of the manipulation. In the second sample participants were fifty-six French students (Mean age =

23.63, SD = 1.27, 39 females) from a public business school in Paris. In both samples the students participated in the study as an extra activity of the Human Resources Management class. Participants were asked to respond to an electronic questionnaire that lasted about 20 minutes.

*Procedure:* Participants entered the lab in groups of five and were placed in front of computers. Manipulation material was printed and placed on their desk. Participants first, started working on the workbook that consisted of a word-search puzzle aimed at subliminally priming religion-related versus religion-unrelated words.

After doing the puzzle they were asked to put the workbook on the floor and continue on the screen. Next, they answered the implicit work ethic questionnaire. To measure their memory of the words in the puzzle and awareness of a theme behind the words in the puzzle, participants completed an awareness questionnaire (Bargh and Chartrand, 2000). Finally, they answered demographics questions regarding the degree of religiosity, political orientation and education. Religiosity was measured by a self-report 3-item questionnaire regarding the degree of religiosity, frequency of doing the prayers and frequency of attending the mosque or church. All the materials were presented in French that is the language of all of the instructed courses in the universities in Morocco and France, and all the participants are fluent.

*Manipulation:* As per the previous studies in activating goals and values (Bargh and Chartrand, 2000, Uhlmann et al., 2011), we used a word processing task to prime the participants with spirituality. Participants had to solve a word-search puzzle borrowed from Pichon et al. (2007). A 12X12 matrix of letters was presented, and a list of twelve words was shown; instructions specified that the objective of the task is to evaluate their cognitive, linguistic and spatial capacity and that the twelve words below were included in the matrix. Words could appear with letters in a straight line either from left to right or from right to left, reading down or reading up. Eight words were specific for each condition. In the control condition, we provided the words *wardrobe, flower, metallic, rime, tap, document, window* and *mountain*. In the prime condition, we presented the words *angel, paradise, eternal, virtuous, prayer, miracle, tradition* and *grace*. Finally, in each condition, a list of words unrelated to religion and neutral in valence were added in order to distract participants' attention from the real purpose of the task (*news, smile, ladder* and *shirt*).

After receiving the prime manipulation, participants were asked to fill up the implicit work ethic scale.

### *Results and Discussion:*

The dependent variable consisted of five scenarios and individuals' associations to the behavior described in each scenario. In order to get the overall measure of the implicit work ethic, we first aggregated the scores of each scenario and second all the scores of the five scenarios. In this way, we ended up with one single measure for each participant's work ethic. A one-way between subjects ANOVA was conducted to compare the effect of religious thoughts on work ethic in prime and control conditions. For the Moroccan participants, there was a significant effect of religious beliefs on work ethic at the  $p < .05$  level for the two conditions;  $F(1, 33) = 5.121, p = 0.03$ . Participants in the prime condition demonstrate greater work ethic ( $M = 3.88, SD = 0.49$ ) than the participants in the control condition ( $M = 3.50, SD = 0.51$ ).

Similarly, but in a different direction, for the French participants there was a significant effect of spirituality on work ethic for the two conditions;  $F(1, 54) = 4.679, p = 0.034$ . The results as illustrated in Fig. 1, show that, contrary to Moroccan participants, French participants in the prime condition endorsed lower work ethic ( $M = 3.66, SD = 0.31$ ) than the participants in the control condition ( $M = 3.85, SD = 0.34$ ).

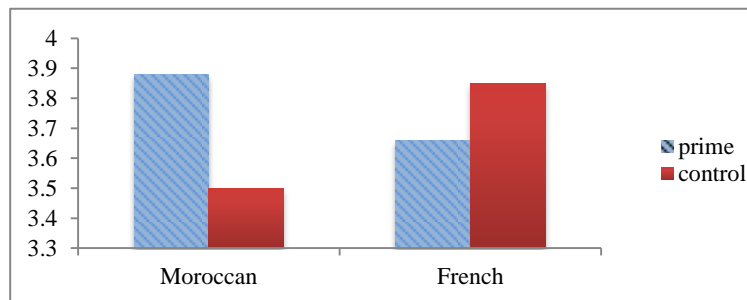


Figure 1. *Spirituality has positive and significant effect on work ethic for Moroccan participants, but not for the French participants. Higher numbers indicate more positive attitude towards work ethic.*

In sum, the results of study 1 confirm our expectations. Priming with the words related to religious beliefs, significantly influences work ethic. Study 1, not only established the link between religious beliefs and work ethic, it demonstrated the moderating effect of cultural background. The fact that French participants endorsed lower work ethic while primed with religion compare to the Moroccan participants brings to light the role of cultural setting in determining the nature of work ethic.

In study 2 we replicate study 1 by employing participants from a more homogenous background.

## Study 2

In order to control for unmeasured demographic variables, and verify the moderating effect of culture on the link between religious beliefs and work ethic, the participants of this study were chosen among students with Maghrebian ancestors in France. Prior research on multicultural individuals shows that biculturals who have extensively internalized two sets of cultural knowledge access different culture-specific cognitive structures, or mental frames. Depending on the socio-cultural context, any of these mental frames can be activated and provide the related knowledge structure. This process is called cultural frame switching (Hong et al., 2000, Luna et al., 2008). Frame switching makes one set of cultural knowledge temporary accessible when being activated by the situational cues.

We hypothesize that priming religious thoughts would affect work ethic and a Maghrebian vs. French cultural identity would moderate this effect. Specifically, we expect participants for whom the French identity is made salient to show a contrast effect while being exposed to the religious stimuli. Conversely, we expect priming spirituality to have a positive impact on work ethic for participants with a salient Maghrebian identity.

*Participants:* Sixty-nine Franco-Maghrebian students (Mean age = 22.86, SD = 2.86, 38 females) participated in the lab study in exchange for twelve euros. Students with Maghrebian origin who were born to Maghrebian families in France or who have lived in France for more than 3 years were invited to participate in a 30-minute study. The majority of participants were Muslim (3 Jews, 2 Christians, 3 Agnostics, 12 Atheists and 4 unspecified). Participants were from three different ancestries: Algeria (48%), Morocco (28%) and Tunisia (24%). Most of the participants speak Maghrebian dialects with their parents and friends (71%). They identified with both French culture ( $M = 4.2$ ,  $SD = 1.50$ ) and Maghrebian culture ( $M = 3.6$ ,  $SD = 1.63$ ) on a scale from 1 (*very weak*) to 6 (*very strong*).

*Procedure:* First, participants were primed with either French or Maghrebian cultural identity. Participants were asked to look at five pictures aimed at stimulating either Maghrebian or French culture and write down ten sentences to introduce this culture to a stranger.

Second, they solved a word-search puzzle that was aimed at subliminally priming religion-related versus religion-unrelated thoughts. Third, they answered the implicit work ethic scale. Finally, they filled an awareness questionnaire to measure the participants' memory of the words in the puzzle and awareness of a theme behind the words in the puzzle (Bargh and Chartrand, 2000), and the demographics questionnaire.

*Results and Discussion:*

The study employed a 2 (Maghrebian vs. French cultural identity activated) X 2 (prime with religious words vs. neutral words) between subjects design. In line with our prediction, Franco-Maghrebian participants primed with religious thoughts exhibited a more positive attitude towards work while their Maghrebian cultural identity (but not the French cultural identity) was salient. A 2(cultural identity) X 2(religious prime vs. neutral words) ANOVA revealed a significant interaction effect  $F(1,65) = 4.427, p = .039$ . As shown in Fig. 2, participants who were exposed to only neutral words, showed no difference in work ethic between French ( $M = 3.73, SD = .42$ ) and Maghrebian ( $M = 3.71, SD = .31$ ) identity conditions.

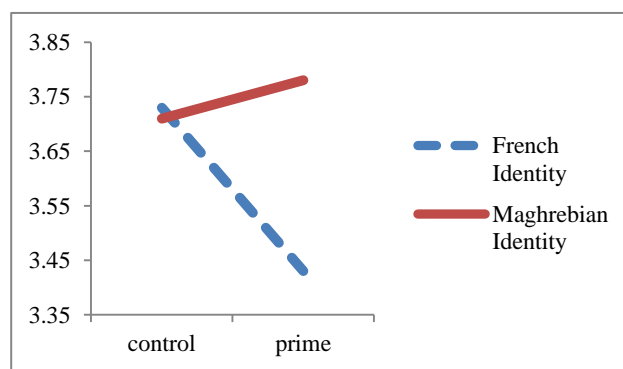


Figure 2. Franco-Maghrebian participants' work ethic after having one of their cultural identities salient and receiving either the religious or neutral prime. Higher numbers indicate more positive attitude towards work ethic.

In contrast, participants for whom their French cultural identity was made salient were more likely to endorse lower level of work ethic when exposed to the religious stimuli ( $M = 3.43, SD = .26$ ) compared to the participants primed with Maghrebian identity ( $M = 3.77, SD = .43$ ).

In sum, implicitly priming Franco-Maghrebian participants with religious thoughts resulted in greater degrees of work ethic when their Maghrebian identity was activated. Conversely, when the French identity was activated, priming religious thoughts leads participants to display negative attitudes and lower level of work ethic. These results indicate that religious thoughts, independent of individual differences in religiosity, could impact work ethic. However, this effect is more consistent with the cultural contexts in which religious beliefs are appreciated and encouraged.

In study 3 we try to extend the results from attitudes to behavior. We predict individual's work behavior could also be predicted by religious thoughts and cultural identity.



### Study 3

So far, the results indicate there is a significant effect of cultural and religious stimuli on work attitude. Study 3 is a replication of study 2 in which we replace the implicit work ethic scale with a task in order to measure the impact of religious and cultural stimuli on work behavior. The procedure was the same as study 2. Participants were first primed with either French or Maghrebian cultural identity and then the religious vs. neutral thoughts were activated. In the next step, they were given a set of anagrams in order to measure the effort they put to the task. We expect significant positive effect of activated religious thoughts on the level of persistence for participants for whom the Maghrebian cultural identity was activated.

*Participants:* Seventy-three Franco-Maghrebian students (Mean age =22.66, SD = 2.78, 39 females) participated in the lab study in exchange for ten euros. All participants were students with North African origin who were born either in a North African country (i.e. Morocco, Tunisia, Algeria, and Egypt) or in France. The majority of participants were Muslim (1 Jew, 3 Christians, 10 Agnostics, 8 Atheists and 8 unspecified). Participants were from four different ancestries: Algeria (40), Morocco (19), Tunisia (13), and Egypt (1). Most of the participants speak Maghrebian dialect with their parents and friends (74%). They identified with both French culture (M = 4.36, SD = 1.22) and Maghrebian culture (M = 4.02, SD = 1.40) on a scale from 1 (very weak) to 6 (very strong).

*Procedure:* First, participants were primed with either French or Maghrebian cultural identity. Participants were asked to look at five pictures aimed at stimulating either Maghrebian or French culture and write down ten sentences to introduce this culture to a stranger.

Second, they solve a word-search puzzle that is aimed at subliminally priming religion-related versus religion-unrelated thoughts.

Third, participants were given 6 anagrams to solve (5 soluble, 1 insoluble). Participants had limited time (6 min for the whole task) to work on the task. They also had the option to quit the task and move to the next questions. We measured the duration of the task. Anagram task has been proved to be a valid method for measuring motivation, performance, persistence and effort (Erez and Isen, 2002). Also previous research suggest that anagram task could be a reliable proxy for work (Chartrand et al., 2007). In this study we measured effort by the time they invested in trying to solve the anagrams. All the anagrams were given at one page. To avoid this measure to be influenced by participants' ability in solving anagrams, we included 1 insoluble anagram in the set. Anagrams were in French and have been adapted from a similar study in French (Gillet et al., 2013).

Finally, they completed an awareness questionnaire to measure the participants' memory of the words in the puzzle and awareness of a theme behind the words in the puzzle (Bargh and Chartrand, 2000), and the demographics questionnaire.

*Results and Discussion:*

The study employed a 2 (Maghrebian vs. French cultural identity activated) X 2 (prime with religious words vs. neutral words) between subjects design. In line with our prediction, Franco-Maghrebian participants primed with spirituality put more effort into the task while their Maghrebian cultural identity (but not the French cultural identity) was salient. We measured the time participants spent on the anagram task and used it as proxy for effort. Since one of the anagrams was insoluble, participants who spent more time on it endorsed higher level of effort. A 2(cultural identity) X 2(religious prime vs. neutral words) ANOVA revealed a significant interaction effect  $F(1,69) = 5.056, p = .028$ . As shown in Fig. 3, participants who were exposed to only neutral words, showed no significant difference in effort level between French ( $M = 172.95, SD = 82.149$ ) and Maghrebian ( $M = 155.42, SD = 82.105$ ) identity conditions. In contrast, participants for whom their Maghrebian cultural identity was made salient were more likely to endorse higher level of effort when exposed to the religious stimuli ( $M = 183.20, SD = 91.977$ ) compared to the participants primed with French identity ( $M = 114.44, SD = 62.040$ ).

The result of study 3 is consistent with the result of study 2. Cultural identity interacts with religious thoughts to impact work behavior. In sum, implicitly priming Franco-Maghrebian participants with religious thoughts resulted in higher level of effort when their Maghrebian identity was activated. Conversely, when the French identity was activated, priming religious thoughts leads participants to put less effort and invest less time on the task. These results indicate that religious beliefs, independent of individual differences in religiosity, could impact work behavior. However, this effect is more consistent with the cultural contexts in which religious beliefs are appreciated and encouraged.

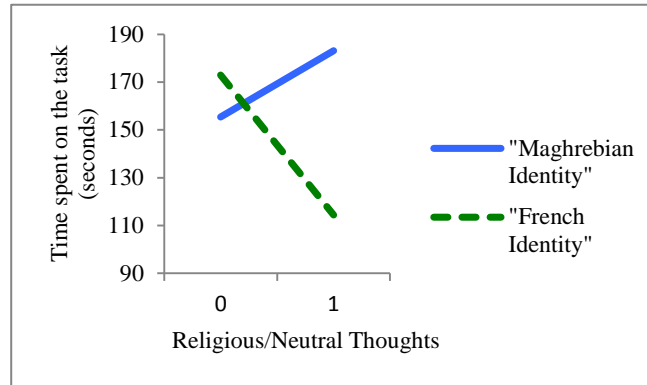


Figure 3. Franco-Maghrebian participants' level of effort after having one of their cultural identities salient and receiving either the religious or neutral prime. Higher numbers indicate more time they spent on the task.

## Discussion

This research suggests that the impact of religion on work ethic is contingent to the cultural values. The results from study 1 reveal that priming with religious thoughts evokes work ethic. Remarkably, this effect is contingent on the cultural background. Studies 2 and 3 confirm that the effect of spiritual and religious beliefs on work ethic is indeed moderated by individuals' cultural identity. These studies also provide a scale to measure work ethic in a more implicit way and avoid the disadvantages of the traditional scales.

Previous research on work ethic has explored the role of religion and religiosity by using surveys and employing correlational analysis. The present research attempts to uncover the causal impact of religious beliefs on how individuals perceive work by controlling for socio-cultural factors in laboratory experiments.

Moreover, the majority of prior research relies on the Weberian concept of Protestant Work Ethic and limits the findings to mainly Protestant and occasionally other western cultures. Our results suggest that although the impact of religious beliefs on work ethic is contingent on the cultural setting, it is not restricted to Protestant and American culture. In three studies, we demonstrated the causal impact of religious beliefs on work ethic for North African and French participants. Taking into account the importance of religious identity in Maghrebians culture, we believe this research provides a new direction to the very specific characteristics of this culture. Historical evidences show that middle-easterners in the past centuries were deeply committed to the world of profession, science and business. During the Islamic Golden Age, Middle-Eastern and North African nations were pioneers in natural and social sciences, and made huge contributions to trade and agriculture (Khaldūn, 1969). Centuries later,

confronted with wars, colonization and modernity, these countries went through dramatic cultural and economical challenges that resulted in drastic changes in people's lifestyle and behavior (Sidani and Thornberry, 2010). However, it appears that the cultural and behavioral dynamism of the Islamic nations did not attract enough scholarly attention and yet, remained relatively undiscovered and mainly contradicting. This ignorance might partially be related to the complicated socio-political condition in these countries as well as lack of ambition and interest among scholarly institutions in Islamic societies.

Hofstede's analysis of cultural dimensions demonstrates that Arab countries are high in collectivism, power distance, and masculinity (e.g. Hofstede, 1983). Comparably, Schwartz (1994, 1999) has considered the Arab nations high in conservatism that emphasizes on social order, respect for tradition, family security and wisdom. He argues that these cultural values discourage intrinsic values of work (i.e. personal growth, autonomy, interest and creativity), while encouraging extrinsic work values (i.e. pay and security (Surkis, 1992, referred in Schwartz 1999)). Thus, managers in Middle Eastern countries, Schwartz posits, would be more effective in motivating employees through pay and security (extrinsic work goals) than personal growth and creativity (intrinsic work goals) (Schwartz, 1999). On the other hand, based on Schwartz's national ranking on cultural dimensions, Arab countries are also higher in Hierarchy (vs. Egalitarianism) which encourages "people to devote themselves to world of work" (p. 40) through which extrinsic goals can be attained. These arguments go against the results of studies on Islamic values at workplace. This trend of research demonstrates that work *per se* is highly valued in Islamic culture (Ali, 1988, Ali and Al-Owaidan, 2008). "Work in Islam, therefore, is situated in the core of the faith and is considered as an integral part in life." (Ali and Al-Owaidan, 2008, p. 7).

In this regard, although very few studies by Schwartz and his associates argue that monetary rewards are the only tools that can drive individuals' work behavior in Arab countries, Ali and his colleagues discuss about Muslims' positive attitudes towards work, rooted in the religious values. The current research aimed to cover the gap between these two trends of research, by suggesting that religiosity interacts with cultural values to predict work ethic.

From a managerial perspective, the novelty of the context provides a practical advantage. Spirituality is recognized to have a solid influence on the members of the relatively religious societies. In essence, individuals identify quite strongly with their religion even though they do not practice regularly. For HR practitioners in societies with considerable religious population, drawing attention to deep beliefs and values would be of great importance.

Moreover, in societies with big population of immigrants who are holding different types of religious values compared to the mainstream culture, it is noteworthy to take into account these values and their adaptability to the cultural settings.

Specifically in the case of France, it is important to pay attention to the Muslim population at workplace. The result of this research reveals that for Franco-Maghrebian employees, the presence of any religious stimuli at workplace would be more consistent with their culture of origin. More emphasis on the French cultural identity and/or French secularism, on the other hand, would cause inconsistency with religious beliefs and would result in more negative attitude towards work, and diminished effort. Although future research need to explore the impact of immigration process in terms of time spent in France as an immigrant, and importance of French vs. Maghrebian Self on the prime effect.

One very important result of the current research is impact of religious prime on participants with salient French cultural identity. The fact that religious beliefs have a more positive effect on work ethic and work behavior in Maghrebian culture and a less positive effect in French culture does not mean that Maghrebian culture promotes more ethical behaviors than French culture regarding work. It simply implies that spirituality is more consistent with values regarding work and profession in North African culture. Future research is needed to explore the underlying variables of this effect. One possible explanation might be the impact of spirituality on the way individuals construe objects, processes and concepts. It is possible that beliefs in religious values trigger different level of construal in different cultures, i.e. low-level task-focused cognition vs. high-level meaning-oriented cognition.

An alternative explanation could be ‘cognitive dissonance’ in the form of belief disconfirmation (Burris et al., 1997). French secularism is not tolerant of the existence of religious stimuli in public environment. Participants for whom the French identity was made salient might have allocated more value to ‘French secularism’ in which the presence of religion in public space would not be consistent with values of Laïcité. One way to test this hypothesis is to include a new condition in which participants are primed with concepts related to secularism.

The cognitive dissonance could impact behavior through different channels. It could be assumed that overcoming this conflict requires cognitive and motivational resources and hence ‘resource depletion’ could diminish performance.

Moreover, the cognitive dissonance resulted from the salience of the French identity in the presence of religious stimuli, may lead the French-Maghrebian Participants to use ‘system

justification' as a means to decrease this conflict. In this sense, people are motivated to preserve the beliefs that the current social system is fair, justifiable and necessary (Jost et al., 2003). In this case, system justification leads people to maintain their beliefs about the fairness and rationality of the French secularism, which includes banning religion from public environment. As a result, participants would diminish effort.

Our research also introduces a new scale for measuring work ethic in a way that is less susceptible to social desirability bias. The Implicit Scale of Work Ethic could replace more explicit tools in order to avoid their shortcomings. One limitation of this study was that not assessing the predictive validity of the scale. Future research could focus on the consequences of work ethic in terms of work behavior and attitudes. In order to examine the validity of the implicit scale one should investigate whether it can predict job involvement, commitment and job satisfaction and eventually performance. Another limitation of this paper is the relatively small sample sizes and student population. Further studies could help the generalizability of this research by incorporating larger samples from more diverse cultural background.

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# MANAGEMENT SYSTEMS, INTELLECTUAL CAPITAL AND IMPACT ON PERFORMANCES: EMPIRICAL ANALYSIS OF ITALIAN FIRMS

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## Abstract

The value creation is the primary goal of each organization and intellectual capital is certainly a key factor for long-term success. The intellectual capital variables have to be managed and measured within advanced management systems, in order to facilitate the communication and translation of strategy's tangible and intangible elements into operational terms.

This study focuses on a sample of medium-sized Italian firms and is based on multiple sources of evidence: the in-depth study of internal documents and interviews with corporate managers holding key positions within the organization. The research aims at investigating if managers identified, measured and monitored intellectual capital variables within advanced management accounting systems, over a period of 5 years. Because the strategy and the organizational structure are highly interdependent, this study also focuses on evaluation and incentive systems implemented within selected companies. Then, it was decided to analyze whether the use of managerial and organizational tools influence firms' performances. This research contributes to extend existing literature on intellectual capital and management systems: the results revealed that companies able to manage and monitor intellectual capital within advanced management tools, as well as implement evaluation and incentive systems, achieved higher and more stable performances. The main limit of this study is strictly related to the choice of these variables: in fact, company's performances are influenced by a significant number of factors, endogenous and exogenous to the organization. Future researches can involve a greater number of companies and organizational variables, in order to validate or confute the actual findings.

***Keywords: intellectual capital, intangibles, business performance models, evaluation and incentive systems, organization, performances.***

## **Introduction**

The value creation is the primarily aim of each organization as it represents the basis for the long-term success. This goal has become increasingly important over the years, also because economic crisis has accentuated the purchasing power loss and the decrease of companies' profitability; therefore, in order to survive and thrive and, at the same time, to better exploit market opportunities, companies need to formulate long-term objectives, necessary to define the guidelines and the common goals to pursue, as well as implement adequate tools which allow managers to focus on variables that can lead to the value creation. The constant changes, required by the competitive environment, impact on companies' aptitudes to create value. The continuous innovation, new technologies, the relevance of networks inside and outside companies are only some of the intangible variables that influence and determine the success of company's business. Today, the intangible assets are the main drivers of competitive advantage and the key factors for long-term success.

The strategy formulation (and implementation) is a fundamental process because it allows managers to identify the path to follow over the years; therefore it becomes impossible to pursue a strategy, whatever it is, if intangibles resources are not properly aligned and mobilized on the basis of it. The real difficulty in implementing a strategy is not the description of tangible elements of a strategy, that are measurable by financial parameters (e.g., capital requirements for planned investments), but rather, the intangible factors such as knowledge management, which grows with human resources, experience, skills and capabilities; information technology that supports the enterprise and connects it with its customers and suppliers; and the organisational culture that encourages innovation, problem solving and continuous improvement (Argyris, 1993; Davenport and Glaser, 2002; Edvinsson and Malone, 1997; Kaplan and Norton, 2004; Nonaka, 1991; Nonaka and Takeuchi, 1995; Nonaka and Toyama; 2003; Nonaka et al., 2000; Sveiby, 1997). For these reasons, the success of the strategy strongly depends on the ability to properly manage the Intellectual Capital (IC) variables, characterized by the quality of relationships, structures and people (Segelod, 1998; Tayles et al, 2007). From this point of view, managers gained awareness on the importance of intangible resources as source of competitive advantage, and increasingly feel the need to capture, measure and monitor IC performances (Marr and Chatzkel, 2004).

The role of a management systems should therefore be that of instruments to translate the conceptual roles of the strategy's tangible and intangible elements into operational terms. The

goal of these systems is to identify and highlight the tangible and intangible key factors that allow the strategy realization.

This research explores, in qualitative terms, if in a sample of Italian firms medium sized managers have recognized the potential of intellectual capital in implementing the strategy, and so if they have identified and managed key success factors that involve intangibles elements. In particular, this study focuses on the presence of the above mentioned key factors within advanced management accounting systems. Even if scholars affirm the importance of management accounting tools to manage and run an organization (for instance for product mix and investment decisions, employees and managers evaluation, choices among alternative suppliers, negotiations with customers, etc.), these tools are not uniformly adopted by companies (Horovitz, 1979; Goold and Quinn, 1990). If management accounting systems are usually implemented in large firms, in small and medium organizations they are sometimes unapplied or unknown. For this reason it is interesting to analyze the state of the art in medium-sized companies.

Because the strategy formulation and implementation process and the organizational structure are highly interdependent and must be complementary to ensure good performances under challenging conditions (Miller, 1987), it was also analyzed if selected companies adopted evaluation and incentive systems to guide personnel actions towards established goals.

In the end, a qualitative correlation among the above - described elements and the trend of companies economic performances has been investigated. According to many authors (Mouritsen *et al*, 2001), financial measures could not be adequate, because they do not identify the causes of the firm's value creation.

## **Literature Review**

### *Intellectual Capital (IC)*

The term Intellectual Capital (IC) was first published by Galbraith in 1969 who stated that IC is not only a static intangible asset but an ideological process.

Klein and Prusak (1994) defined the IC as “packaged useful knowledge”. It constitutes knowledge, lore, ideas and innovations (Sullivan, 2000). Many authors argued that IC is a combination of three variables: the human capital, the structural capital and the relational capital (Bontis, 1998; Edvinsson and Malone, 1997; Edvinsson and Sullivan, 1996; Lynn, 1998; Roos et al., 1997; and Stewart, 1991, 1997).

Human intellectual capital captures the knowledge, professional skills, experience, and creativity of employees (Nelson and Winter, 1982).

The structural capital consists of innovation (intellectual assets) and process capital (organizational procedures and processes).

The intellectual capital can be structured and developed through information systems in order to turn individual know-how into group property (Nicolini, 1993). It is with structural capital that IC can be shared and measured within the organization (Bontis, 1998). Finally, the relational capital captures the knowledge of market channels, customer and supplier relationships, and governmental or industry networks (Tayles *et al.*, 2007).

Through the management of IC the human and relational capital are transformed into the structural capital of the organization (Lynn, 1998). Intellectual assets together with structural capital (technology, procedures, processes, etc.), tangible assets and relational capital can be managed to create profitable new products and services that, when commercialized, increases corporate value (Roos *et al.*, 1997; Edvinsson and Malone, 1997; Webster *et al.*, 2004).

IC is the possession of knowledge, experience, expertise, skill, good relationships, and technological capacities, which, when implemented, managed and shared, will give organizations competitive advantage (CIMA, 2001).

The IC definitions had an evolution, passing from pioneering studies to advanced ones (Veltri, 2008). Pioneering studies focus on IC categories and their contents, and measure the IC contribution to firm performance analyzing the difference between firm market value and book-keeping firm value. Advanced studies (Meritum, 2002; DMSTI, 2003) validate the three-way division of IC (human structural and relational capital) and define IC as a system of intangible resources that allow managers to identify the paths of value creation. In particular, these studies focus on: the interaction among IC variables as the main value creators; the key role of knowledge; the key role of management tools; the importance of knowledge strategy as starting point to identify IC performance indicators. Today the intangible assets are the main source of competitive advantage and, for that reason, they are the most significant drivers for the long-term value creation. As managers are more aware of the role played by intangibles in generating profitable business, it becomes essential that management accounting systems capture, measure and report IC value and performance (Marr and Chatzkel, 2004) also because external financial statements offer very limited information on intangibles (Wallman, 1995). It has been argued that accountants in such firms should adopt a more strategic management accounting approach and focus on the evaluation, appraisal, and measurement of IC to avoid neglecting the organization's most valuable resources (Tayles *et al.*, 2002).

### *Management Accounting And Performance Measurement Systems*

The strategy formulation is a key process that involves managers in defining and explicating the direction to follow over the years to create long-term value. However, even if company's top managers formulate excellent long-term strategies they often have serious difficulties in implementing them, as the organisation struggles to translate strategic objectives into daily operations. So, after the formulation of a strategy, the real difficulty lies in implementing it and communicating it to the whole organisation (Brusa, 2007; Kaplan and Norton, 2006, 2008). As previously described, the real challenge is represented by the identification of the intangible elements that constitute the strategy, such as knowledge management, experience, skills and capabilities, information technology and the organisational features. These elements are essential to create value, but it is difficult to measure their contributions with traditional management control system methods (financial control), because their impact on profit and financial results is indirect rather than direct and operates along a chain of causal links that is more or less long and complex. The role of a managerial system should therefore be that of an instrument to implement strategy and translate the conceptual roles of the strategy's tangible and intangible elements into operational terms.

Over the years, business performance models have been increasingly improved in order to explicit the existing causal links among tangible and intangible key factors that allow the strategy implementation. Some of the most known and implemented management tools are the Tableau de Bord (Lauzel and Cibert, 1962), the Intangible Asset Monitor (Svebi, 1997), the Skandia Navigator (Edvinsson, 1997), the Value Chain Scoreboard (Lev, 2001) and the Balanced Scorecard with the related Strategy Map (Kaplan and Norton, 1996, 2001, 2004, 2006). These models, better than others, require managers to focus on intangible key elements and on non-financial key performance indicators, overcoming the limitations of performance systems based only on economic and financial variables. However, the Balanced Scorecard, better than the others, shows a strategic orientation and focuses on cause-and-effect relations among different critical success factors. Through the identification of a map for each strategy, top management should define a logical structure that highlights the expected results in the short and long term and the critical success factors necessary to achieve these results (Kaplan and Norton, 2001, 2004). After the map, the critical success factors have to be translated into a set of financial and non-financial balanced performance indicators that are causally interrelated. The company indicators are then discussed, translated and adapted within

appropriate parameters, including the specific targets for each responsibility centre and taking into consideration the peculiarities of the organisational structure. The strategy is then pursued by employees operating at the various levels of the organisation on a day-by-day basis. This means that the balanced system of objectives and parameters must be communicated and translated into operational terms, identifying specific goals for all areas of the company. In addition, the overall company results and those of the responsibility centres should be consistently monitored with an appropriate evaluation system and rewarded in an incentive system (Kaplan and Norton, 2006, 2008).

In conclusion, strategic initiatives and related projects should be identified, their financial and human requirements should be specified, in order to achieve the target of each indicator, and then embedded into a company's annual budget. With the described process, strategy and structure can be aligned and so can generate benefits in terms of business growth, diffusion of knowledge, and value creation. The alignment strategy-structure enable to fill the gap between strategy formulation and strategy execution (Kaplan and Norton, 2006; Porter, 1996; Chandler, 1976).

## **The Research Method**

### *The Aim And The Research Questions*

The aim of this study is to analyze if a sample of Italian firms operating in different industries has recognized the strength of intellectual capital elements in implementing the strategy and uses organizational and, more generally, managerial tools to support managers in describing the intangible, and tangible, elements of the strategy. Companies were analyzed over a time horizon of five years, from 2009 to 2013.

The main research questions are described below:

- R.Q. 1: have selected companies implemented and used organizational and managerial tools to describe the intangible elements of the strategy? It was decided to investigate the presence of business performance models referable to the structure of Balanced Scorecard, Value Chain Scoreboard, Tableau de Bord, Skandia Navigators and Intangible Asset Monitor. In addition, have selected companies linked these tools to evaluation and incentive systems?
- R.Q. 2: have the above features had a positive effect on the economic performances of the last 5 years (2009-2013)?

The main goal of this explorative research is to evaluate, in qualitative terms, if in the selected firms medium sized managers identified and managed intangible resources during the strategy

implementation process. In particular, it was investigated the presence of this category of critical success factor within management systems.

The management tools researched are those that help managers to translate the strategy into operational terms and, above all, identify and monitor intellectual capital elements. These tools, such as business performance models and evaluation and incentive systems, are fundamental to drive decisional process and actions, ranging from short to medium and long period objectives. In fact, the above mentioned tools, when properly used and implemented, help managers to communicate strategic intentions as well as motivate and empower personnel towards specific goals. It should be underlined that the organizational architecture plays a key role to improve organization functioning and performance (Daft and Lewin, 1990).

In the end, the purpose is to investigate if Italian firms that have formulated key success factors and used managerial tools, including IC variables, achieved higher profitability performances, over the observation period. So, we looked for a qualitative correlation among the above - described elements and economic performances. Performances were measured through the analysis of ROE (Return on Equity) and ROA (Return on Assets) indicators because they highlight the organization's ability to create shareholders value and deploy its assets profitably. The shareholder value creation is a key driver for long-term success and strictly depends on results obtained through the IC management. In addition, according to Mouritsen et al. (2001), if the aim of the researcher is to highlight the firm value process creation, financial values could not be adequate measures, because they don't identify the causes of the firm's value. At last, many authors considered these indicators adequate in researches that involve the strategy and management accounting (Fryxell and Barton, 1990).

#### *The Method And The Sample*

The explorative research is based on empirical analysis of a sample of Italian organizations. The selection started during the year 2011, using Aida data bank, and has recently completed. This data bank allowed us to make a choice based on sector, business area, firm size, corporate governance and shareholders. Enterprises selected are medium - sized (sales revenues between 10 and 50 million Euros, and employees between 50 and 249 units), have the registered office in Italy and operate in different industries. Dimensional features have been considered a discriminating variable because, if management accounting systems are usually implemented in large firms, in small and medium organizations they are sometimes unapplied or unknown (Lombardi and Stocchetti, 1996). So, the study focuses on the state of the art in medium-sized



companies, not considering small organizations because they could preclude the useful data acquisition for the research. Furthermore, the selection focused only on manufacturing companies (banks, insurance companies, trade firms, services companies, and public organizations were excluded) because management systems have been adopted, from the very beginning, by these companies. Eight main businesses of activity have been identified: clothing and textiles; food and beverage; publishing and graphics; chemistry; building; electronic and information systems; wood and furniture, mechanics and metallurgy.

As a first step, it was decided to contact the investor relations directors to explain them the aims of our work, to identify the most appropriate respondents at each company and to obtain their contact information. Subsequently, a letter of introduction that contained an explanation of the research and a brief explorative questionnaire was sent to the potential respondents.

At the end of the selection process eighty companies, equally distributed among the different sectors of activity (10 for each business of activity), were identified.

The research has been conducted through an empirical analysis based on multiple sources of evidence: the in-depth study of internal documents and interviews with corporate managers holding key positions within the organization. Selected subjects have important place in hierarchical structure, because it was decided to consider only professionals with a wide vision of corporate activities and processes.

Interviews allow a deeper understanding of the strategy formulation and implementation processes peculiarities, the structure and the effective use of business performance models as well as evaluation and incentive systems. The tool based on interviews has advantages such as flexibility, environmental control, the order of questions, the completeness, the response from the interviewees definitely concerned, but it has also disadvantages such as the time and the lower standardization. The interviews were semi-structured to be kept within the main question area, but still open the possibility to get the interviewees own ideas and feelings. The interviews included also some questions to verify the good quality of answers.

According to Yin (1984), the “open-ended” interviews are relevant to expand the depth of data gathering and to increase the number of sources of information.

All data collected with interviews have been compared with those of business documents and elaborated using a specially designed software. After the interviews and the internal document analysis, a draft of results was sent to those interviewed for their comments and to ensure that the technical details were interpreted correctly. Concluding, it was decided to use this method because a quantitative approach might not be sufficient to acquire information concerning the

strategy, the structure, and, above all, the effective use of organizational and managerial systems.

### Results

This section focuses on the results of comparative interviews and documental analysis referred to the research questions previously described. As far as the RQ1 is concerned, it was investigated if companies, during the period 2009-2013, implemented and used organizational and managerial tools to describe the intangible elements of the strategy. In particular, it was verified the effective use of advanced Business Performance Models (BPM) able to identify and measure the intangible, and tangible, elements of a strategy. It was also analyzed if companies have implemented and used Evaluation and Incentive Systems (EIS), such as M.B.O. or bonus plans, to drive and motivate personnel towards strategic goals. The following graph shows the diffusion of managerial and organizational systems within the sample.

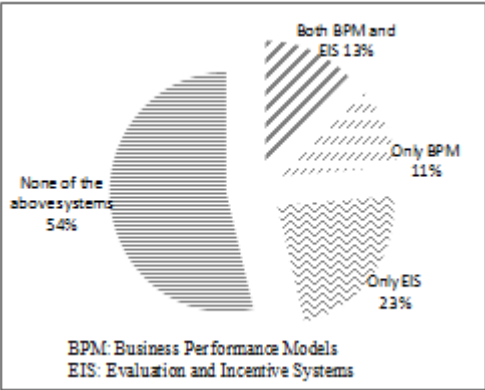


Figure 1. Diffusion and use of managerial and organizational systems during the period 2009-2013

As shown in Figure 1, only the 13% of the sample uses both business performance models and evaluation and incentive systems, while the 54% of selected companies hasn't implemented the above mentioned managerial and organizational tools. The 11% only uses advanced performance model, while the 23% implemented evaluation and incentive systems without a direct connection to strategic goals. Analyzing internal documents and reports, it emerges that companies only implemented the Balanced Scorecard (58%) and the Tableau de Bord (42%); the other investigated tools are not widespread within selected companies. Organizations with only EIS (23%) haven't formalized and implemented business performance models; the majority of this group (56%) linked evaluation and incentive systems to the annual budget of different responsibility centers, while the remaining part linked these systems only to company's sales trend or economic indicators.

In addition, it was decided to analyze the critical success factors referred to IC elements in companies that formalize and use business performance models to support the strategy realization. The majority of these organizations (68%) planned to invest in human resources through hiring, education and valorization programs, aimed at attracting the best talent and strengthen the system of knowledge. A significant number of companies identified critical success factors based on investments in advanced information technology systems to: support the communication and information flows (47%); increase the market relationships, particularly referring to the supply chain and/or customers (53%); improve process management activities through the data timeliness and monitoring phases (31%). The 42% of companies invests in R&D to increase the company's intellectual property. Then, the 88% of companies with BPM plans to make significant organizational changes, in order to increase the efficiency and the effectiveness of performances (e.g. rethink the organizational structure or the strategic processes characteristics, improve the coordination, the empowerment, etc.). It must underline that companies that don't use the selected organizational and managerial tools (54%) don't formalize strategic intentions within other specific documents/reports nor communicate them to different levels of the organization; however, the 49% draw up the annual budget. Companies that draw up the budget, without strategic planning tools, don't formulate nor communicate long-term goals, showing a short-term vision. One of the managers interviewed said: *"The crisis forced us to disinvest from activities that don't generate a direct benefit on company's performances: the strategic planning and control are one of those"*.

In addition, from interviews it emerged that a great number of organizations that haven't adopted management tools (32%), in order to survive during this period of recession, are implementing a disinvestment policy (and will continue to do so unless there is a market recovery), reducing the number of personnel working within the organization.

Moving to the second research question, it was examined if companies that have effectively adopted the selected managerial and organizational tools are better performers than the others which show a passive attitude, waiting for changes in external environment. As described before, economic performances were analyzed considering the ROA and the ROE indicators. The following figures exhibit, for each indicator, the average values, calculated through the weighted average formula, so as to normalize the size of different groups previously identified (both BPM and EIS, only BPM, only EIS, none of the above systems). The outliers have been eliminated to reduce the variance caused by the peculiarity of each industry.

Finally, to guarantee the clarity of presentation, it was decided to expose the values referring to the whole sample, not highlighting the results basing on different business of activities.

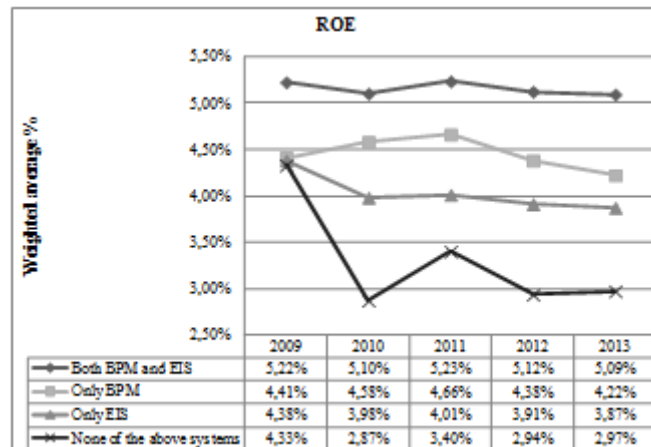


Figure 2. Average of ROE-years 2009-2013

The results show a qualitative correlation among implementation systems and economical performances. Analyzing the weighted average of ROE indicator it emerges that:

- companies that implemented both BPM and EIS achieved higher performances than other organizations during the analyzed period;
- companies that only have BPM show, for the years 2009-2013, a ROE greater than that of companies with only EIS. In general, the indicator registered more limited fluctuations in companies with BPM, despite the period of recession;
- organizations without BPM and EIS show the lowest performances and the highest fluctuation.

The previous statements are also confirmed by the results achieved within the various businesses of activity. It is interesting to note that companies with BPM or EIS registered, in the year 2009, values of ROE similar to those without the described management tools. However, over the following years, the gap among different groups of companies has significantly increased.

As far as the ROA indicator is concerned, the average values are shown in the next figure.

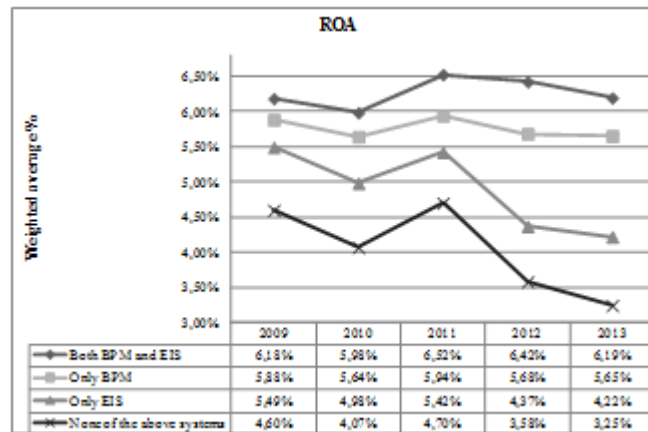


Figure 3. Average of ROA-years 2009-2013

Analyzing the trend of ROA during the period 2009-2013 it emerges that, also in this case, the highest performances have been achieved by companies that use both BPM and EIS.

Companies with BPM achieved the lowest level of ROA in 2010, however, over the following years, managers were able to increase and stabilize the results. Companies without BPM show significant fluctuations, reaching the lowest level of ROA during the years 2012-2013; at last, as shown for the ROE, the group without managerial and organizational tools registered the highest variation, compared to the initial value of the year 2009, and the lowest performances.

## Discussion and Conclusions

This research contributes to extend existing literature on strategy implementation and communication tools, particularly referring to intellectual capital variables, as well as management systems that support the alignment of the organization towards established goals. In particular, the study confirms the conclusion of many authors who affirm the importance of intangible resources to support the strategy execution. The description of the strategy through its tangible and intangible elements should be formalized within conceptual models that highlight the critical success factors and identify the related key performance indicators.

As previously described, the research questions aim at investigating if selected firms have built and used managerial tools to describe the intangible elements of the strategy and then have implemented and used evaluation and incentive systems to drive and motivate personnel actions towards strategic goals (RQ 1). Then, it was decided to analyze the presence of a qualitative correlation between the use of IC advanced measurement systems and company's performances (RQ 2).

As it emerged during the analysis of the results, business performance models that describe the strategy through the identification of intellectual capital variables and intangible key success factors are not particularly widespread in Italian companies. In addition, only few companies have aligned the organization to company's strategic goals, implementing personnel evaluation and incentive systems. However, it must be underlined that in large companies, where usually these tools are more widespread, the results may be partially different.

Managerial and organizational systems, as widely described in literature, offer a valid support to management in: identifying the tangible and intangible critical success factors and the related indicators; preparing and disseminating guidelines for the whole structure; monitoring the actual results in terms of performance, both of the firm and of the various organizational units; supporting top and operational managers in analyzing the causes of possible deviations and in proposing corrective actions and updates. The explorative study also validates the results of a research conducted on family businesses (Truant, 2014).

As it emerged analyzing the sample, companies that implemented managerial tools as well as evaluation and incentive systems achieved higher and more stable performances, despite the economic crisis that affected organization during these last years; the greatest benefits have been achieved by companies that integrated these two models. The only use of evaluation and incentive systems is not sufficient to ensure satisfactory and stable performances. In fact, these companies show economic results lower than those with only business performance models.

The findings reveal the importance of strategic planning tools: evaluation and incentive systems could be not sufficient if not aligned to medium and long terms goals because they are not able to prove their real potential, remaining tied to short-term logics.

As far as the ROE is concerned, it is interesting to note that at the beginning of the period in question (year 2009) the outcomes of the various groups were similar and aligned. Since 2010, the gap has significantly increased, as well as the variability of performances.

The explanation may be as follows: during the periods of economic stability or expansion, organizational and management tools are certainly important, nevertheless companies can reach adequate performances driven by the favorable economic environment. Instead, it is during the period of economic turbulence that these tools become indispensable because they represent the compass that help managers and employees to address actions towards the established goals. The power of business performance models is strengthened by the presence

of evaluation and incentives systems that motivate and guide the daily actions of personnel towards medium and long term goals.

In conclusion, this study aims to focus the attention on the importance of managing, measuring and monitoring intellectual capital variables within business models focused to long-term value creation. The relevance of these systems has been analyzed through companies' performance indicators. The main limit of this study is constituted by the generalizability of results, strictly related to the sample size and to the choice of variables that impact on performances: in fact, company's performances are influenced by a significant number of variables, endogenous and exogenous to the organization. In this research only some of the endogenous variables that impact on performances have been analyzed: the management tools, focused on intangible resources and intellectual capital, as well as evaluation and incentive systems that enable the alignment of the organizational structure to long term goals. The value created by intangibles (and IC) can also be measured considering other performance indicators, so future researches can involve a greater number of companies and organizational variables or can include other performances indicators, in order to validate or confute the actual results.

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# THE EFFECT OF FIT BETWEEN EMPLOYEES' REGULATORY FOCUS (PROMOTION VS. PREVENTION) AND CREATIVE (VS. NON-CREATIVE) WORK ENVIRONMENT ON EMPLOYEES' WELL-BEING

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**Keywords:** *Regulatory focus, regulatory fit, creativity, subjective well-being, subjective health, job characteristics, job environment.*

## Introduction

Management researchers have been interested in the interaction between workers and their job environment for over 100 years (Parsons, 1909; Holland, 1985; Schneider, 1987; Verquer et al., 2003; Carless, 2005; Kristof-Brown et al., 2005). In the current study, we sought to test whether a fit between employees' motivation type and their job characteristics, in terms of creativity, relates to well-being and subjective health. We based our hypotheses on Regulatory Focus (RF) theory (Higgins, 1997), which distinguishes between two motivational foci: prevention focus and promotion focus. According to Higgins's (1997) theory, prevention-focused individuals are focused on their duties and obligations and use vigilant strategies to attain their goals. In contrast, promotion-focused individuals are focused on their dreams and aspirations and use eager strategies to attain their goals. People experience *regulatory fit* when their personal regulatory focus fits the situation or the context in which they are operating. Regulatory fit makes people "feel right" about what they are doing and be more engaged in their activity (Higgins, 2000, 2005).

In the current study, we argue that a fit between employees' regulatory focus (i.e., prevention or promotion) and the context of their job (i.e., creative or non-creative) will be associated with higher levels of well-being and subjective health.

## The Fit between RF and Task Characteristics

Recent RF literature have shown that promotion focus is congruent with eager and creative means of pursuing one's goal; while prevention focus is congruent with vigilant and cautious

means of pursuing one's goal (e.g., Crow & Higgins, 1997; Forster, Higgins, & Bianco, 2003; Higgins, 1997, 2000, Van Dijk & Kluger, 2004, 2011; Wallace & Chen, 2006). These empirical evidences imply that promotion-focused employees will experience regulatory fit when their job environment provides them with creative challenges, whereas prevention-focused employees will experience regulatory fit when their job environment provides them with vigilant-accurate job environment. The experience of regulatory fit, in turn, will lead to motivational benefits such as job satisfaction, enjoyment and feel right about one's work (Righetti et al., 2011, Higgins, 2005). In the current study we particularly interested in employees well-being as an outcome of regulatory fit, since well-being has serious implications on workers' future commitment and intention to leave their organization; as well as their ability to be happy and productive in their work.

### **Regulatory Focus, Job Characteristics/Environment, and Well-Being**

Hackman & Oldham (1975, 2005) in their job characteristics model explained how properties of the organizational tasks that people perform affect their work attitudes and behavior, and they identified the conditions under which these effects are likely to be strongest. Among the job characteristics that were found to affect motivation and performance are task variety, identity, and significance (e.g., Barrick & Mount, 1993; Grandey, Fisk, & Steiner, 2005; Grant, 2008; Humphrey, Nahrgang, & Morgeson, 2007). According to these findings, people who work in creative jobs, dealing with interesting and challenging tasks with the autonomy to think creatively will be more motivated and vital than people who work in routine jobs with a limited variety of tasks and few opportunities to feel significant. Therefore, in the current study, we hypothesized that a creative job environment will be positively associated with one's well-being.

As we mentioned above, the work environment has been found to influence an individual's well-being. However, very little research has tested the relationships between regulatory focus and well-being (e.g., Repetti, 1987; Briner, 2000; Van Dijk, Seger, & Heller, 2013). One such study (Grant & Higgins, 2003) examined the relationships between prevention and promotion pride and various emotional and psychological factors such as optimism, functional coping, and subjective well-being. Grant & Higgins have found that prevention pride does not predict self-reports of well-being, while promotion pride uniquely predicts a sense of purpose in life or goal directedness. Therefore, in the current study, we hypothesized that promotion would be positively associated with one's well-being.

Finally, both a promotion focus and a creative job environment seem to improve well-being; however, the fit between the two seems to lead to greater well-being. Thus, when promotion-focused employees work in creative jobs, their well-being will be higher (compared to prevention-focused employees at the same job environment).

Based on the arguments specified above, we hypothesized that:

*H1: Subjective well-being will be higher among chronic-promotion employees compared to chronic-prevention individuals.*

*H2: Subjective well-being will be positively associated with the level of job creativity. The higher the level of job creativity, the higher the well-being.*

*H3: The regulatory focus will interact with a creative job environment such that the highest well-being will be found among promotion-focused employees working in a creative job environment.*

## **Method**

### *Participants and Procedure*

A total of 132 employees from different organizations in the high-tech industry participated in the study. The participants' average age was 33.4 ( $SD=6.13$ ); 63% were men; 21% held managerial positions; the average seniority in the current organization was 2.6 years ( $SD=.19$ ), and the average cumulative seniority was 9.5 years ( $SD=6.6$ ). Participants completed an online web questionnaire (using the Qualtrics program), and all of them gave their consent to voluntarily participate in the study.

### *Measures*

**Chronic regulatory focus** was measured using the Regulatory Focus Questionnaire (RFQ; Higgins et al., 2001). **Job environment** was measured by a questionnaire based on Van Dijk & Kluger's (2011) task list in order to classify each subject's job environment as a creative or vigilant-accurate one. **Subjective well-being** was measured using two indices: The *Satisfaction with Life Scale* (SLS; Diener et al., 1985), and *Subjective health* was measured using the Self Evaluation of Life Function (SELF; Linn & Linn, 1984);

### *Results*

Two multivariate regression models (for the two well-being indices) supported our hypotheses: Specifically, promotion-focused employees reported higher life satisfaction when their job environment was creative versus non-creative (supporting H3); Also, promotion focused employees reported less health problems when working on creative job environment, but this effect was found only when they had a high vigilant-accurate job environment. Table

1 & Figure 1 showed this interaction effect for satisfaction with life scale; Table 2 & Figure 2 showed this interaction effect for health problem scale.

In addition, we found that subjective well-being was higher when employees engaged in creative tasks (vs. non-creative ones) and that promotion-focused employees reported higher well-being in comparison to prevention-focused employees (supporting H1 & H2). These findings have important implications to the assignment of employees to different types of tasks and redesigning employee jobs.

## Discussion

We can conclude that job environment that offers creative tasks will be more "healthy" for workers than a non-creative task environment; however, this creative environment will mostly benefit promotion-focused employees and will less benefit prevention-focused employees (although a creative environment will not *harm* the prevention-focused employee's well-being). Hence, the important recommendation for managers is to add creative tasks and to increase the interesting tasks they assign to promotion-focused employees.

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	df	Mean Square	F	Sig.
Corrected Model	10	0.70	1.96	0.05
Intercept	1	30.01	83.45	0.00
Age	1	1.31	3.65	0.06
Sex	1	0.30	0.83	0.36
Seniority (current organization)	1	0.09	0.25	0.62
<b>Chronic RF (prevention/promotion)</b>	<b>1</b>	<b>1.81</b>	<b>5.04*</b>	<b>0.03</b>
Accurate tasks (low/high)	1	0.01	0.03	0.86
Creative tasks (low/high)	1	0.63	1.76	0.19
Chronic RF * Accurate tasks	1	0.03	0.09	0.77
<b>Chronic RF * Creative tasks</b>	<b>1</b>	<b>1.65</b>	<b>4.58*</b>	<b>0.04</b>
Accurate tasks * Creative tasks	1	0.00	0	0.98
Chronic RF * Creative tasks * Accurate tasks	1	0.00	0	0.95
Error	114	0.36		
Total	125			
Corrected Model	124			
R Squared = 0.15 (Adjusted R Squared = 0.07)				

Table 1. *Between-Subjects Analysis of Variance for the Effects of Chronic RF, Creative Tasks, and Accurate Tasks on SLS*



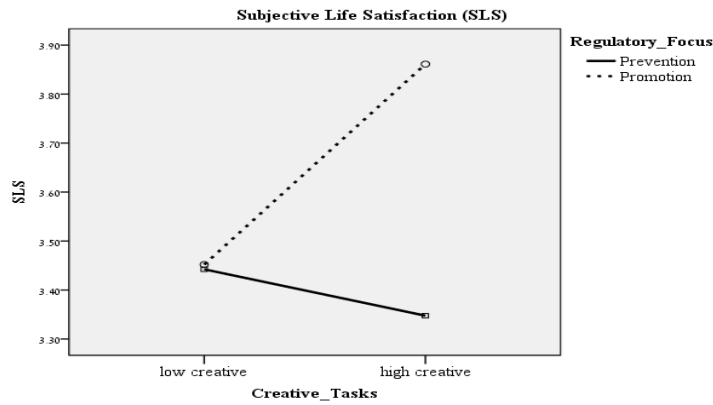


Figure 1. Marginal means of SLS for chronic RF and creative tasks

	df	Mean Square	F	Sig.
Corrected Model	10	0.37	1.74	0.08
Intercept	1	10.18	48.10	0.00
Age	1	0.05	0.23	0.64
Sex	1	0.25	1.17	0.29
Seniority (current organization)	1	0.04	0.18	0.68
Chronic RF (prevention/ promotion)	1	0.23	1.10	0.30
<b>Accurate tasks (low/high)</b>	<b>1</b>	<b>1.34</b>	<b>6.35**</b>	<b>0.01</b>
<b>Creative tasks (low/high)</b>	<b>1</b>	<b>0.87</b>	<b>4.11*</b>	<b>0.05</b>
Chronic RF * Accurate tasks	1	0.04	0.18	0.68
Chronic RF * Creative tasks	1	0.72	3.41	0.07
Accurate tasks * Creative tasks	1	0.09	0.44	0.51
<b>Chronic RF * Creative tasks * Accurate tasks</b>	<b>1</b>	<b>0.78</b>	<b>3.68*</b>	<b>0.06</b>
Error	114	0.21		
Total	125			
Corrected Model	124			

R Squared = 0.13 (Adjusted R Squared = 0.06)

Table 2. Between-Subjects Analysis of Variance for the Effects of Chronic RF, Creative Tasks, and Accurate Tasks on Health Problems

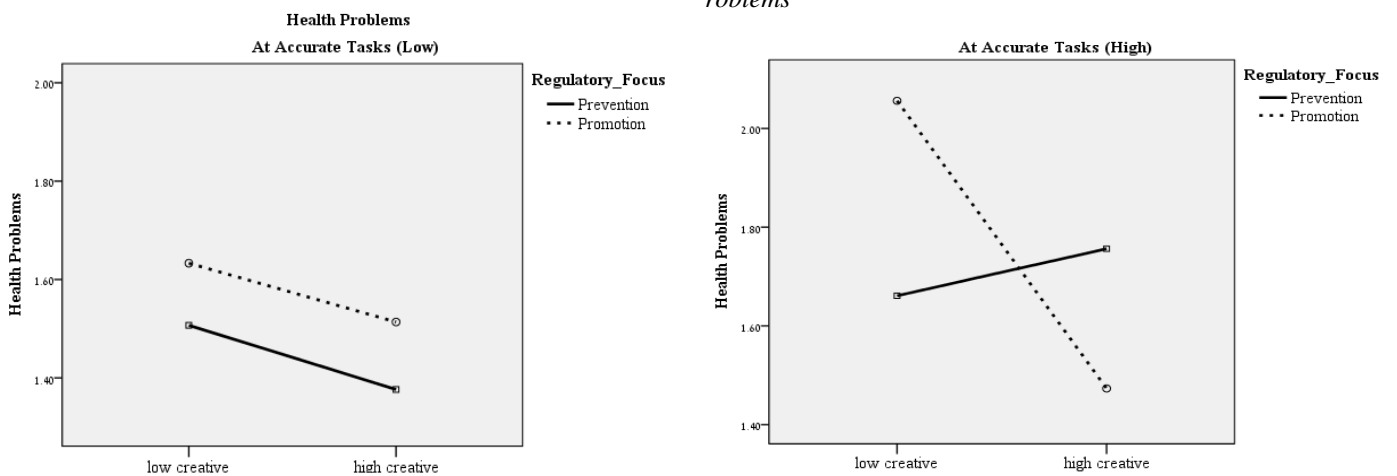


Figure 2. Marginal means of health problems for chronic RF and creative tasks

# **THE CONCEPT OF INNOVATION AND ITS DEFINITION IN THE FOOD AND DRINK INDUSTRY: A REVIEW OF THE LITERATURE**

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## **Abstract**

Innovation is the key to enhancing the competitiveness and entrepreneurial strategy of business. In recent years, the increasing interest shown by companies for innovation has led to a review by the relevant literature of the term, its methods of penetration, and of the rules and processes adopted for its measurement and evaluation.

From the literature related to “innovation” in its general sense, and also that focusing on the penetration of innovation in the food industry, it is observed that all activities related to the former, play a significant role in the development of businesses.

The present paper examines the progress of ideas surrounding this concept and the ways in which innovation is perceived, in order to be used as a driving force for entrepreneurial growth. More specifically, the paper presents the role of innovation in the food and drink industry.

***Keywords: Innovation, measuring innovation, diffusion, innovation in the food and drink sector.***

## **Introduction**

Innovation is a term with a variety of definitions, and a whole range of formulae and indicators have been applied for its measurement. This is due to the fact that innovation has been rendered a priority and is considered a primary issue in all aspects of our lives. More specifically, innovation as a phenomenon in the field of industry and enterprises depends on their access to technological change and the acquisition of knowledge (Fagerberg et al., 2009, Manual, Oslo (2005)).

In a general overview of the literature regarding innovation, studies are identified which examine businesses and sectors whose primary focus is the production of high technology products, using as a main variable, the large size of the companies and the high level of invested capital (businesses in the R&D sector), (Armbruster, 2008 ).

As regards the concept and introduction of innovation in the food industry, there is a limited number of research results available compared to the technology sector (Dadura et al, 2011; Calogirou et al. 2004).

In certain studies, food industries and businesses are characterized as adopting a low or medium level of technological innovation (Heidenreich, 2009; Robertson et al, 2009), while the innovation research conducted within them is described as low-intensity research (Garcia Martinez & Briz, 2000; Calogirou et al., 2004).

The differences between the food sector and other manufacturing sectors lies in the fact that food companies mostly innovate in relation to production processes, rather than the end product. At the same time, their innovativeness depends on parameters linked to the environment in which they are active and develop, as well as market factors (Triguero et. al, 2013).

The aim of the present paper is to conduct a review of the literature on innovation and its relation to the food and drink industry. In particular, the aim is to define the trends followed during the implementation of innovation in food and drink enterprises or industries.

## **The Definition Of Innovation**

Innovation is not a new concept, neither does it constitute a new phenomenon. It is linked to people, as a process related to a new thought or the best method or a new practical process that can be used to realize and resolve problems, in order to facilitate our everyday life. As a term, it has been used since the early 20<sup>th</sup> century, while the relevant literature on innovation has been presenting a continuous increase in recent years (Fagerberg et al, 2012; Fagerberg, Mowery, and Nelson, 2006).

Since the beginning of the 20<sup>th</sup> century, several theoreticians have dealt with the concept of innovation and its contribution to the development of the economy and of society. According to the definition by Joseph Schumpeter (1982), “innovation involves a pioneering application of an invention, discovery, new or existing knowledge” and is a phenomenon that lies at the core of economic change. Kotler (1991) refers to innovation as “any good, service or idea, that is perceived by someone as new. The idea may have a long history, but it is an innovation to the person who sees it as new”.

Furthermore, innovation has also been defined as the result that connects each discovery with the concept of commercialization. This means that innovation also involves new ways of creating goods, which will then become marketable (Porter 1991).

The use of new knowledge for the production of a new product or service to suit consumer demand, stems from:

- i) the internal added value chain of the business (a series of actions inside or outside the company, each of which adds value to the end product or service),
- ii) the external added value chains of the suppliers, consumers and all others active in the field of innovation,
- iii) agents of scientific knowledge and discovery, such as universities, research institutes and laboratories,
- iv) competitor companies with a similar object and relevant business activities
- v) other regions or states (Afuah A.,2003).

Nevertheless, in a study by Hippel in 1998, the latter states that there are two sources for innovation: manufacturing innovation, where production is only linked to the sale of a product or service and the generation of profit, and end-user innovation, which is connected to the production of innovations and their use for the personal benefit of those that produce them.

The definition of innovation as a concept and as a process for development could not have escaped the attention of international organizations. The European Union considers a competitive economy to be an economy with a consistently high level of growth and productivity. In order for it to become competitive, it needs to surpass its competitors on issues related to research and innovation, ICT, entrepreneurship, competition, education and training. Through this statement, innovation is included in the plans for economic growth and is defined by the European Commission as, a conversion of new knowledge into economic and social benefits. This conversion is a result of complex interactions between multiple actors in a system consisting of an environment (local, national, regional) containing firms,

research institutions, funders and networks through which all these elements manage to get in touch (European Commission, Innovation union, 2013)

The Organisation for Economic Co-operation and Development (OECD) considers innovation to be a particularly significant parameter for increasing production, productivity, employment and economic growth. In particular, it states that: “innovation is the implementation of a new or significantly improved product (good or service) or process, a new marketing method, or a new organisational method in business practices, workplace organisation or external relations”. According to the OECD, a company can innovate as regards its work methods, the way it operates, in the use of its production factors and the products it produces, with the aim of improving its commercial and economic performance (Co-operation & Development, 2002; Oslo Manual, 2005).

In several studies, the link between innovation and companies has been expressed through the concept of business innovation. The development of innovation in business is considered to be an urgent requirement, in order for companies to be recognized and become established both on a social and economic level. A holistic approach connects business innovation with adding value to products or services (economic approach of produced things) and with the economic growth this offers to the company in question, rather than with the production of new products or services by the company (Kim & Mauborg, R, 1999; Matopoulos & Vlachopoulou 2008). Based on the above, business innovation is characterized by the creation of economic value, and by changes that take place in the internal and external environment of a business or sector, which are linked to all aspects of the entrepreneurial system. The forces that lead businesses to innovation have been identified as being the offerings a company creates, the customers it serves, the processes it employs, its brand name and its overall presence in the market (Sawhney et al, 2011).

Through its “Green Paper on Innovation” in 1996, the European Commission defines an innovative firm, as a firm which has strategic and organizational skills. Strategic skills include a long-term view and the ability to identify and anticipate market trends, the willingness and ability to collect, process and assimilate technological and financial information. Organizational skills include undertaking business risks, internal cooperation between the main departments of the firm, and external cooperation with public research bodies, consultancies, customers and suppliers.

According to William Lazonick, (2005) an innovative business produces knowledge, which can be defined through the transformation of production factors into products or services. In

order for a company to do this, it must become involved in three general activities-actions: a) strategy, b) finance and c) organization.

*"Innovation" the development of a definition*

<b>Theoreticians and international organizations</b>	<b>Chronology</b>	<b>Developing theories on the definition of innovation</b>
Joseph S.	1982	Innovation involves a pioneering application of an invention, discovery, new or existing knowledge.
Kotler P.	1991	It is any good, service or idea, that is perceived by someone as new.
Porter M.	1991	The new ways of creating goods, which will then become marketable.
Hippel Von E.	1998	Innovations and their use for the personal benefit of those that produce them. Separation of innovation in manufacturing innovation and end-user innovation.
Afuah A	2003	The use of new knowledge for the production of a new product or service to suit consumer demand.
Kim & Mauborg, R, Sawhney	1999,2006,	Innovation is adding only value to products or services.
William Lazonick	2005	Innovation is the transformation of production factors into products or services and it is linkage with strategy, finance and organization of businesses and organizations.
European Commission	1996. 2013	Innovation is the creation of new knowledge and its conversion into economic and social benefits.
OECD	2002,2005	Innovation is the implementation of a new or significantly improved product (good or service) or process, a new marketing method, or a new organisational method in business practices, workplace organisation or external relations.

Summarizing, we emphasize five key attributes that characterize the concept of innovation:

1. Is the application or the discovery of a new or existing knowledge.
2. Is the way which leads to the creation of new goods or services.
3. Betrays added value in products and services that already exist.
4. Expects from the results, economic and social benefits.
5. Engage in strategic management, finance, organization and marketing.

### **“Innovation” And Its Association With Other Terms**

The term “innovation” is frequently associated with the term “invention”. However, these are two distinct terms, whose difference is explained thus: “invention or discovery” refers to the first appearance of an idea for a new product or service, while innovation is the first effort to turn this idea into practice. These terms are very closely related, which is why it is sometimes hard to detect the difference between them (Rogers, 2003).

An “invention” can be created-born anywhere, e.g. in a warehouse or at a university, while “innovation” is usually connected to the business sector. In order for an invention or discovery to become an innovation within a business environment, the said company must use and combine various types of knowledge, skills and production factors.

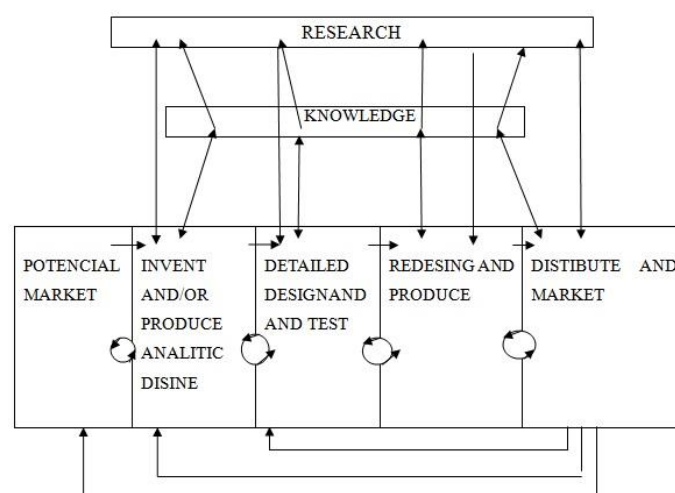
One more point that causes confusion between the two terms is the fact that both processes evolve through time. The first versions of almost all major innovations and inventions were slow and unreliable, however they were eventually diffused and became widely known (Fagerberg, et al, 2006). Kline and Rosenberg (1986) stated the opinion that it is a grave mistake to consider innovation to be a clearly defined and homogeneous concept, which can be recognized upon its entry into the economy on a specific date or can be made available at a given point in time. The fact is that, most great innovations experience several changes during their lifetime, that may radically affect their initial economic identity. Similarly, the enhancement of a discovery after its first introduction can prove to be much more important from a financial perspective, compared to its initial form. We can therefore also envisage innovation as the result of a long process, which involves a large number of interrelated innovations. And from a logical perspective, this is the reason why almost all research on innovation does not perceive the main object of the innovation as a single variable but rather as a system involving several parameters. It can thus be seen that innovation is not a linear concept.

Yet another term related to innovation is imitation, which essentially refers to a company copying and using an innovation (Schumpeter 1982). This does not mean however that it does not have a significant impact on business development. In many cases, such behavior is referred to by the term “technology transfer”. The latter term is frequently used to refer to the diffusion of innovation amongst businesses and economies (Rosegger et al, 1986), and is very likely to provide a trigger for innovation (Fagerberg, 2004). According to Kline and Rosenberg (1986), numerous financially significant innovations were realized through the diffusion of innovation of a product or process. It is also linked to the process through which an idea or product, seen as new, is accepted by the market (Brown, 1981).

## The Process Of Innovation Production

Various definitions have been given above for innovation and the forces that drive businesses in this direction. It is reasonable then that the question should arise about how innovation occurs. Many theoreticians make no reference to this process or considered it to be self-evident or too hard to explain. It is considered as an example of “manna from heaven” (Fagerberg, 2004; Druker 1985). Older studies which attempted to identify the various stages of the innovation process, focused on research and the development and commercialization of innovation, while those studies which focused on the diffusion of innovation, centred on the way in which it is diffused and adopted, and the related results. Rogers (2003) connected all of the above parameters, when he expressed the view that the process of innovation development involves all the decisions, actions and results stemming from the identification of a need or problem, from the research into, development and commercialization of the innovation and also from the diffusion and adoption of the innovation by the relevant users (businesses), from whom we obtain the results.

Kline and Rosenberg present the “chain – linked model”, which defines innovation as the interaction between market opportunities, a company’s potential and its knowledge background. This model does not follow a specific path, in order to lead a company to innovation. The development of an innovative process does not follow a simple linear course and is therefore not predictable. In addition, the revision of former stages and continuous feedback throughout the process reinforce the above statement.



Source: Kline and Rosenberg (1986 p.289-291). The elements of "the chain model" for the relationship between research, invention, innovation and production.



From the above, we can perceive that innovation is a complex and multi-dimensional process, whose individual parts are in constant interaction, which is why we cannot describe innovation as being a linear process.

### **Ways Of Measuring Innovation**

A long time was required before it was noted that the generation, exploitation and dissemination of knowledge are the foundations for economic growth, environmental protection, employment increase and the prosperity of nations in general (OECD, 2005). A primary role in this process involves the need to better measure innovation through indicators and classify it into types.

#### *Innovation indicators*

Traditional indicators for measuring innovation include research and development (R&D), as well as patents. However, as knowledge and international research around the concept of innovation expand, so does the need to identify new indicators through which it can be recorded. These indicators are dynamic and evolving, and are used in accordance with the purpose and scope of each study.

The indicators used to measure innovation can be divided into two basic categories. There are researchers which focus on the outputs of innovation, where the key to measuring innovation is the success of the company in question (profit, increased revenue, share performance, capitalization and productivity etc.), while others refer to the inputs of innovation, which include both research and development innovations, as well as non-technological innovations (Smith, 2005; Rogers, 2003).

The European Union uses 25 indicators in the classification table of countries as regards innovation. The indicators are divided into 8 dimensions and classified into 3 categories, which include:

1. Enablers, which record the basic driving forces for external innovation in a company
2. Firm activities, which record the innovation on a company level
3. Outputs, which record the impact of the innovation actions on the company.

<b>Innovation Union Scoreboard (IUS) 2010, MAIN TYPE / Innovation dimension / indicator.</b>
<b>ENABLERS</b>
<b>Human resources</b>
1.1.1 New doctorate graduates (ISCED 6) per 1000 population aged 25-34
1.1.2 Percentage population aged 30-34 having completed tertiary education
1.1.3 Percentage youth aged 20-24 having attained at least upper secondary level education
<b>Open, excellent and attractive research systems</b>
1.2.1 International scientific co-publications per million population
1.2.2 Scientific publications among the top 10% most cited publications worldwide as % of total scientific publications of the country
1.2.3 Non-EU doctorate students as % of all doctorate students
<b>Finance and support</b>
1.3.1 Public R&D expenditures as % of GDP
1.3.2 Venture capital (early stage, expansion and replacement) as % of GDP
<b>FIRM ACTIVITIES</b>
<b>Firm investments</b>
2.1.1 Business R&D expenditures as % of GDP
2.1.2 Non-R&D innovation expenditures as % of turnover
<b>Linkages &amp; entrepreneurship</b>
2.2.1 SMEs innovating in-house as % of SMEs
2.2.2 Innovative SMEs collaborating with others as % of SMEs
2.2.3 Public-private co-publications per million population
<b>Intellectual Assets</b>
2.3.1 PCT patent applications per billion GDP (in PPSE)
2.3.2 PCT patent applications in societal challenges per billion GDP (in PPSE) (climate change mitigation; health)
2.3.3 Community trademarks per billion GDP (in PPSE)
2.3.4 Community designs per billion GDP (in PPSE)
<b>OUTPUTS</b>
<b>Innovators</b>
3.1.1 SMEs introducing product or process innovations as % of SMEs
3.1.2 SMEs introducing marketing or organisational innovations as % of SMEs
3.1.3 High-growth innovative enterprises
<b>Economic effects</b>
3.2.1 Employment in knowledge-intensive activities (manufacturing and services) as % of workforce N
3.2.2 Medium and high-tech product exports as % of total product exports
3.2.3 Knowledge-intensive services exports as % of total services exports
3.2.4 Sales of new to market and new to firm innovations as % of turnover
3.2.5 License and patent revenues from abroad as % of GDP

(Innovation Union Scoreboard 2010 –Methodology report)

### *Classifying types of innovation*

As the concept of innovation has evolved, various techniques for its measurement have been developed. According to Joseph Schumpeter, innovation can be categorized into five types: new products, new methods of production, new sources of supply, exploitation of new markets and new ways to organise business. Companies innovate because they are looking for

revenue sources. As regards financial issues, they pertain to the first two types of innovation, which are used primarily in such a context.

Another approach based on Schumpeter's theory distinguishes and categorizes innovation based on how radical it is, compared to the existing situation (radical and incremental innovations) (Freeman and Soete 1997). On the other hand, Phillips et al. (1997), make a distinction between technological innovation (innovation in products, in innovative processes-functional innovation) and non-technological innovation (marketing strategies, change in management techniques and in the organisational structure).

Another typical classification also involves radical and incremental innovation. Radical innovation includes changes in the technology and production methods, while the research is usually carried out by external business associates or is adopted from certain innovations. Incremental innovation involves the technological development of an existing product or service, and is carried out by the companies themselves through known methods and processes (Abernathy and Utterback, 1978). Francis and Bessant (2005) proposed a classification based on the result of the innovation process and thus divided innovation into four types:

- Product innovation, which involves changes to goods, products or services, provided by an organisation or company,
- Process innovation, which involves changes to the manner in which the goods, products or services are created and delivered,
- Position innovation, which involves changes in the context in which the products or services are introduced and finally,
- Paradigm innovation, which involves changes to the mental models used by the organisation or company in developing the business

Based on the relevant literature, the most common classification method is "multi-type classification". In line with this classification, and according to the OECD, there are four types of innovation for companies to develop and diversify: product innovation, process innovation-operational innovation, marketing innovation and organizational innovation. Product innovation and process innovation are related to the technological innovation of products and processes, while the remaining two are related to non-technological innovation (Oslo Manual 1997; Oslo Manual 2005; Fortuin, et al., 2007).

In an effort to classify the various types of innovation, Kotsemir et al. (2013) recorded six different types:

- Multi-type classification of innovation
- Classification of the Degree of "strength" or "power" of innovation
- Multilayer classification
- Dichotomical classification.
- Dually-dichotomical classification.
- Linked to steps of innovation process classification

Furthermore, as recorded in several scientific papers, new types of innovation are being discovered and it is imperative for them to be incorporated in the methods or classifications used for measuring innovation. One such type of innovation is “eco-innovation”, which includes all measures adopted by relevant actors (businesses, policy makers, trade unions, organisations, churches, households), which contribute to reducing the environmental impact or to achieving specific sustainable goals (Rennings, 2000, Dadura and Lee, 2011).

### **Economy And Innovation**

Innovation exists at the centre of economic activity and change (Schumpeter, 1982). However, according to Rossi (2012), although innovation affects the economics of business, there are conflicting views regarding its contribution to this relation. Archibugi (1988) agreed with the connection between economy and innovation and added that “measuring innovation is usually a problem which concerns engineers and technologists, rather than economists”. Thus, recording and measuring innovation within the context of economy is a demanding task, which is why Archibugi suggests that innovation be classified based on the following criteria:

- The technological group the innovation belongs to
- The prevalent economic activity of the body producing the innovation, i.e. the sector to which the business activity belongs,
- The sector in which the innovation first appears, which is the sector of the first application of the innovation.

According to Rogers (2003), in order to be able to overcome this obstacle, and correlate the data, which has been processed using different units of measurement and/or different variables, an alternative method is proposed: linking the measurement of innovation with the overall performance of a company, based on econometric methods and techniques. This method has the advantage of being able to combine other variables also, apart from research, development and patents.

Other studies regarding the economics of innovation only include product innovation and process innovation. We should not however forget or ignore the other aspects of innovation. For example, according to Lam A. (2004), several of the innovations linked to the growth of the U.S. economy were of an organizational nature, and were related to the establishment of a totally new organizational structure related to production and the distribution network.

### **An Approach To Innovation In The Food And Drink Sector**

Although the number of research projects focusing on innovation in the food and drink industry is limited, the conclusions that have arisen from various studies to date are nevertheless significant. Grunert et al (1997), pointed out in their study that there are two perspectives through which the food and drink sector approaches innovation. On the one hand, there is “research and development” and, on the other hand, there is knowledge and a “market” orientation. He also states that new innovations are very rare, since many of them actually involve a modification of existing products, due to the connection with the consumer culture, which is very hard to change. Martinez and Briz (2000), examined innovativeness, based on the classification of innovation into: innovative products and processes, and radical and incremental innovations. Their results emphasize the evolutionary, rather than the revolutionary nature of innovation activities, while also noting a connection between the production of innovative products and the needs of consumers.

In 2002, Traill et al. examined the motives driving innovation. Their research suggests two basic points of observation: economic performance and product marketing. They conclude that businesses tend to behave in accordance with their primary focus (their selected strategy). The structure and innovation activities of the food and drink sector were analyzed by Menrad (2004), who noted the interaction between the various groups which are activated in the effort to apply innovation (analysis of the political and legal framework, market demand, research institutions, financing methods).

Matthyssens et al (2008), centred on the industry’s efforts to create value innovation, through three distinct management practices: 1) a sense and knowledge of the market, in order to create knowledge of what consumers desire, 2) a corporate culture which encourages discussion, experimentation and innovation, and 3) the ability to rationalize the value of the company’s partners.

Next, Fortuin et al (2007), pointed out the value of knowing how an innovation or innovative effort evolves on a company level (success or failure), and developed a methodology which identifies: the opportunities to improve the innovation process and the factors which make the

difference between a successful and a failed innovative plan (communication between the workgroups, the superiority of the product and increased demand for the product by the “market”).

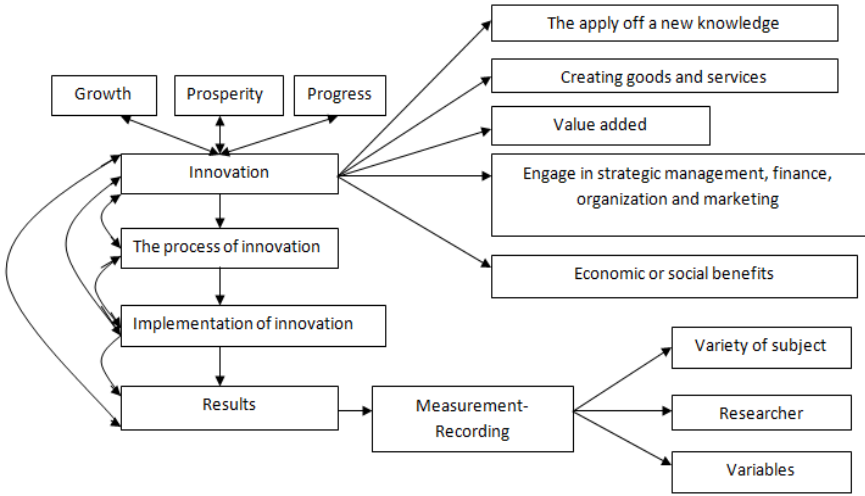
Karantininis et al (2010) examined the role that a company’s organizational structure and scale economy play on the development of innovative actions. They also pointed out that the main factors which determine innovation processes in the agri-food sector are export focus, company size and the target “market”. Organizational structure was also examined by Capitano et al (2010), through its correlation with the internal and external factors that drive innovation. Their conclusion is that the innovativeness of businesses is the result of (or is affected by) their organizational structure and certain external factors.

Another field added to the research on innovation in the food sector is company size. Dadura et al (2011) used a suitable and effective model for measuring innovation and proved that the size of a company largely affects the design and implementation of its business strategy, in order to create or increase innovativeness, with the aim of acquiring a competitive advantage in the market. Thus, Kavanagh et al. (2012) focused on the sustainability of small and medium-sized businesses (SMEs), by trying to determine the motives and obstacles affecting the decision-making process, when companies are planning to invest in technological innovation. They concluded that a company’s “absorptive capacity” depends on external factors (knowledge that may come from the market, suppliers, competitors, universities and public research centres), as well as internal factors (human resources, intra-industry knowledge, skills acquired through training). A similar path was followed by Baregheh et al (2012), in a study of SMEs in the food sector, which highlighted the relation between the various types of innovation and the way a company is organised, and also how innovation can be developed within such companies.

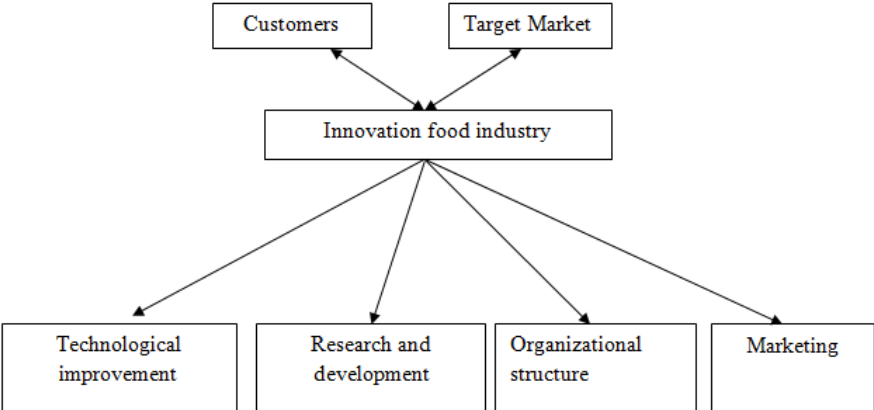
## **Conclusions**

The overall literature related to innovation is very extensive and fairly fragmented. Studies include a variety of subjects with a diverse background. Each one adopts a large number of ontological and scientific views concerning research, analysis and the interpretation of a complex, multi-dimensional phenomenon. Furthermore, the large variety of techniques used to measure and define innovation, and the inability to find an acceptable way of approaching it, mean that it is extremely difficult to record business innovation. In summary, we could say that measuring and recording innovation depends on the perspective, the variables defined and what each individual researcher wants to examine.

We have created the following figure to explain the function of innovation within a system, a business or organization.



In the food and drink industry, the point of reference for most studies is the dependence of innovation on the “market” factor and on consumers, while its success is linked to technological change, research and development activities, marketing and the organizational structure of businesses.



At the same time, the above-mentioned studies also shed light on the business characteristics that determine whether an innovation will succeed or fail. These are:

- Diversity, superiority and the uniqueness of the product as regards the customer, and the whole of the target market of the company
- Marketing and technological activities, i.e. the initial selection, preliminary

examination and study of the market, the technical evaluation of the company and its financial analysis

- A clear definition of the target market (consumer needs, preferences and wishes), the product idea, the specifications and requirements for its production
- The organizational structure of the company. The relations between the company's departments, the cooperation and communication between the employees
- The way in which the company manages its relations with the other participants in the agri-food chain (suppliers and retail trade).

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## WHY HIGH PERFORMANCE LEADS TO TURNOVER?

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### Abstract

This study explores employees' turnover in financial industry of Bangladesh as an outcome of combined compensation practice for the sales persons. Based on the narrative analysis from the sixteen interviews of eight dyadic sales professionals (four supervisor-subordinate and four peer-peer) from two banks and two Non-banking Financial Institutions (NBFIs), this study explored the difference in compensation policy between permanent and contractual sales employees in the Bangladesh financial industry. This practice stimulates employees' performances, however it often turns in personality conflict between high performers and lower paid supervisor. In addition, the higher unit performance raises the benchmark and increases the sales target within the unit that challenges the status quo of the standard performers. Using the Context Emergent Turnover (CET) theory, this study examines the joint effect phenomenon of voluntary turnover between high performers and standard performers within the same unit. Moreover, our contribution lies also in CET theory extension by examining within unit effect of voluntary turnover on individuals. From the practice perspective, it opens a new horizon of understanding the reasoning behind turnover of both high performing and standard performing employees in Bangladesh as a mean of diverse compensation practices and as such requires a call for compensation practice standardization.

**Keywords:** *Compensation, turnover, Bangladesh, combined HR practice, sales employees.*

# EXPLORING HR POLICY IN SME FINANCE IN THE EMERGING ECONOMY

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## Abstract

This study explores the HR practices in the small credit-oriented banks and social enterprises in the emerging economy and recommends on the opportunities to improve the performance of lenders and borrowers through modifying HR practices. This study suggests that the existing compensation practice encourages the relationship officers to expedite loan volumes; rather to ensure the quality of loans provided to small entrepreneurs. Simultaneously, such practice encourages monitoring people to focus on the financial recovery of NPL (Non-performing Loans) alone, which leads both lender and monitor to ignore the real utilization of funds that increase the NPL of the lending organizations. Resource utilization, which is a widely used concept in economics and science, especially in medical science, is considered here as a potential extension of RBV (Resource Based View). It is argued that adequate resources can fail to gain competitive advantage because of their improper utilization. Based on the interviews of officials from three leading social enterprises, two leading banks with SME finance, and three NBFIs (Non-Banking Financial Institution) in Bangladesh, this study develops the conceptual grounding to examine the core reason behind high NPL of the lenders and failures of subsequent borrowers and at the same time suggest the revision of HR practices in both the SMEs and micro-finance based lending firms. This study such contributes from systems perspective by offering an extension of RBV, simultaneously from practice perspective by exploring existing HR practices and suggesting for revisions.

***Keywords: Emerging economy, Bangladesh banks, Micro-finance, Human Resource Policy.***

# PERCEPTIONS OF WORKPLACE DIVERSITY: A FRENCH CASE STUDY

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## Abstract

The topic of diversity is originated in the US starting with the Civil Rights Movements in the 1950s and gaining greater issues since the 1980s in response to demographic changes and international competition. The concept of diversity spreads across the globe but it takes on a slightly different meaning wherever it is implemented. Due to rapid globalization and demographical changes, the merit of evaluating and managing diversity has attracted increasing attention, since different work environments require diverse workforces (Strauss et al., 2003). Already in 1987, the UN Brundtland Commission identified human capital as major dimension of sustainable development and in 2000, the European Union focused in its proclaimed CSR concept on HR-related topics such as equal opportunities, lifelong learning and social comprehension and put diversity issues at the heart of people policies and people management. Diversity concepts exist therefore on a global scale, but also in business organizations where workplace diversity and its management have been prominent in recent years (De Meuse and Hostager, 2001).

Much research gives evidence that for diversity to be successful, it has to be adapted to socio-economic, cultural and political priorities of the society within which the organisation operates (Boxenbaum et al., 2011). Studies on the transfer of managerial concepts such as diversity indicates that they generally need translation in order to be integrated into a new organizational context (Boxenbaum et al., 2011). Thus, much research highlights the necessity of studying diversity management from the point of view of the national specifics and the social context of any given country. Though the existence of potential differences in diversity issues in different countries are commonly recognized, it is often tacitly expected that there are unique diversity approaches within a single local company.

The organizational perspective on diversity is twofold: managerial perspective and employee perspective. According to Mannix and Neale (2005) the overall connotation of diversity seems to be positive in most organizations. However, employees' perceptions concerning diversity are not necessarily the same as the managerial perspective. As it is mostly top

management that tends to initiate diversity management initiatives, such as diversity training programs but also HR initiatives in recruitment, training, development and pay, it becomes imperative to analyze their perception of the broad concept of diversity (Nishii and Özbilgin, 2007). Extant research on exploring the concepts of diversity in various multinational companies by interviewing managers found that definitions of diversity differ from organization to organization (Koonce, 2001).

In many cases, management “perceives that, diversity delivers positive impact as it improves organizational reputation, attracts talented candidates, helps to create mutual understanding in-between workers, creates safe and cooperative working environment and awards a range of options and ideas to solve critical problems” (Gondal and Ullah, 2011: 151). While the overall view of management is positive towards diversity (Gondal and Ullah, 2011), employees may refuse to involve in diversity actions if their perspective regarding diversity is not understood (Mannix and Neale, 2005). Syed and Kramar (2009) suggest that it is likely for employees, due to their different social status, to manifest a perspective which is opposite to that of managers. Stoner and Russel-Chapin (1997) discovered that sometimes, employees are not satisfied with the ability of their managers and their diversity management policy or are unable to adjust to the norms of a diverse environment (Ellemers et al., 1997). Negative or positive perceptions may have either disastrous or positive results for the overall efficiency and productivity of the organization; therefore, the organizations must regularly analyze the perceptions of diverse groups (Gondal and Ullah, 2011).

The purpose of the present research study is to describe the state of employee perception of diversity management issues in an organization in France. The study is carried out by interviewing a relevant group of respondents on two sites of a French multinational company in the car manufacturing industry. The study investigates the perception of diversity issues in two distinct business units: production and R&D. Our results show that within a same company promoting a common diversity policy, perceptions on diversity issues may differ and result in an adaptation of diversity related actions in the respective business units. By doing so, we are able to demonstrate the complexity of company-wide diversity policies starting already in its country of origin. Since work is carried out by groups within organizations, diversity views and perceptions of individuals are crucial in determining whether diversity affects organizational goals.

***Keywords: Diversity at the workplace, employee perception, France.***

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# THE ENTREPRENEURIAL INFLUENCE OF STRATEGIC HUMAN RESOURCE MANAGEMENT ON FIRM PERFORMANCE: A MULTI-LEVEL MODEL

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## Abstract

Although numerous studies in the entrepreneurship literature have demonstrated a positive relationship between firm-level entrepreneurial orientation (EO) and performance, limited research has focused on how firm-level EO can permeate into unit-level EO (Wales *et al.*, 2011). This research presents a multi-level conceptual model that posits firm EO is positively related to the EO of the human resource management (HRM) function. Specifically, the concept of *HRM entrepreneurial orientation* (HRM EO) is used to represent HRM functions that are characterized by innovative, proactive, and risk-taking propensities. This research theorizes that HRM EO will result in the adoption of innovative HRM practices, such that HRM functions that are proactive, innovative, and risk-taking tend to have HRM systems that resemble this orientation. In particular, the HRM EO and innovative HRM practices relationship is strengthened among HRM functions that are characterized by a group of employees who demonstrate high levels of *harmonious HRM passion* (i.e., a shared sense of excitement and genuine interest in the importance of HRM to organizational life). Furthermore, we posit that innovative HRM practices are positively related to unit-level performance that in turn positively shapes firm-level performance. In doing so, this research advances extant HRM and entrepreneurship literatures by demonstrating that HRM functions with an EO use innovative HRM practices to help the firm improve organizational performance. Practitioners are encouraged to adopt an EO in their own HRM function to promote risk-taking, innovative, and proactive HRM practices. This process can help to improve performance through effective people management.

**Keywords:** *Human Resource Management, Entrepreneurial Orientation, Innovative Practices, Red Queen Theory.*

# WHAT HAPPENS WHEN STRATEGIC HUMAN RESOURCE MANAGEMENT 'ROCKS THE BOAT?': AN EXPLORATION OF ENTREPRENEURIAL ORIENTATION AND INNOVATIVE PERFORMANCE

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## Abstract

Studies in the human resource management (HRM) literature have demonstrated that HRM practices can foster innovative performance; however, limited research has examined the role of the HRM function in shaping innovative performance. The present research addresses this gap with a conceptual model that posits HRM functions that have an entrepreneurial orientation (EO) can improve innovative performance. Specifically, we posit that HRM functions with an entrepreneurial orientation (HRM EO) are characterized by risk-taking, innovative, and proactive propensities (Miller, 1983). HRM EO is instrumental in fostering an initiative climate (i.e., a work climate that encourages personal initiative behaviors) because the HRM function uses its activities and practices to communicate behavioral norms and expectations. Entrepreneurial HRM leadership (i.e., senior HRM leaders who adopt a leadership style that embraces entrepreneurship) is further posited to positively moderate the relationship between HRM EO and initiative climate. In other words, senior HRM leaders who adopt an entrepreneurial leadership style will be most effective in ensuring that the HRM function uses its EO to foster an initiative climate. Finally, we posit that an initiative climate is important to enhancing innovative performance. In doing so, we present an alternative lens to the HRM literature to show that HRM EO is critical to shaping innovative performance via initiative climate. HRM practitioners are encouraged to adopt an EO to help senior leaders create a work environment that encourages initiative, thereby fostering innovation.

***Keywords:* Human Resource Management, Entrepreneurial Orientation, Initiative Climate, Entrepreneurial Leadership, Innovation.**

# TRAINING AND EDUCATION TO A NEW HUMAN RESOURCES STRATEGY: THE CASE OF THE SPANISH PROFESSIONAL ARMY SYSTEM

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## Abstract

In turbulent, surprising, continuously evolving marketplace environments only flexible, agile, and relentlessly dynamic organizations will thrive (Lengnick-Hall, 2011). The need to develop skills and reinforce training to compete successfully in uncertain environments as well as the new “knowledge economy” is receiving increasing attention (OECD, 1996; European Commission, 2000). Crouch et al, (1999) claim that when technology evolves rapidly and marketplace becomes complex, there is a need to focus on high value-added products. In this scenario, workforce quality is of central importance to economic success (Lloyd, 2002). Furthermore, not only initial training is enough, but continuous learning is necessary (Stern and Sommerlad, 1999; Rainbird, 2000). In the same vein, Peschner and Fotakis (2013) highlight the relevance of education and training to raise productivity as a source of sustainable economic growth.

Public agencies have not been alien to this debate on workforce, especially in times of economic austerity when innovative and efficient solutions should be applied to assure consistency and remove ‘unnecessary’ bureaucracy. The public manager should have competencies in team building, communication and employee involvement. These skills have implications not only for employee recruitment and selection but also for training and education (Paynes, 2009). National armies are one of the most important public agencies around the world. Armies constitute the world's oldest and largest organizations. They represent centuries of experience in selecting, educating, training and managing personnel for arguably the most competitive and turbulent situation any organization may encounter, i.e., actual war (Visser, 2010). Yet, little attention has been devoted to military human resource strategy and evolution to adapt to new challenges.

This paper tries to fill this gap by analyzing the recent evolution of human resource strategy of a military organization and its implications. In particular, we look at the new Spanish professional army system of recruitment and education program. The 2010-11 academic year significantly changes the curriculum of Spanish cadets by adopting the guidelines of the European Higher Education Area. From now on, Spanish cadets obtain two qualifications: a degree in Management Engineering and a commission as an army lieutenant. Accordingly, the system of University Centres for Defence Studies (CUD) was established. The purpose of the CUD is to provide education leading to an official university degree in Management Engineering. The CUD faculty is formed by qualified university teachers and researchers, with a clear commitment to teaching and research.

With this new system, cadets are expected to upgrade their scientific background and professional competence to complement their military instruction. Actually to obtain their engineering degree they have to write a bachelor thesis whose objective is to apply their technical knowledge to improve the organization and performance of army units. Furthermore, a new system of postgraduate studies is being implemented to complement the ongoing training of the professional military officials.

Last year, the first lieutenants educated and trained with this new system obtained their degree.

The objectives of the paper are:

1. Describe the main features of the new *recruitment* and *selection* system and relate them to different sector practices. Evaluate the results of the new system.
2. Describe the main features of the new *education* system and relate them to different sector practices. Evaluate the results of the new system.
3. Evaluate the scope of the implementation of the bachelor thesis proposals as a mechanism to improve performance of military units.

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# THE IMPACT OF NETWORKING STRATEGY ON THE INNOVATION PROCESS IN AN EMERGING ECONOMY: THE CASE OF MONTENEGRO

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## Abstract

The purpose of this project is to examine the impact of networking on innovation process in Montenegro focussing especially on the challenges of collaboration and linkages between the industry and the university. Montenegro has a long history of being a distinct national entity, but it had experienced its share of occupation by various forces and empires. When the former Yugoslavia broke apart in 1992, Montenegro became part of what was then Serbia and Montenegro, but it successfully attained its independence in 2006. After ending its union with Serbia and gaining independence in May 2006, Montenegro and the EU began talks on a Stabilization and Association Agreement. The SAA was signed in October 2007. In October 2011, the European Commission assessed that Montenegro had achieved the necessary degree of compliance with the political and economic criteria for accession talks to begin. The EU opened accession negotiations with Montenegro in June 2012. As of December 2013, seven negotiating chapters had been opened, and two of these provisionally closed. EU officials acknowledge Montenegro's solid progress toward meeting EU standards, but they also assert that more work is needed. One of the Key challenges facing Montenegro is improving the business environment through innovation (Archick and Morelli, 2014). The role of the industry/university collaboration is discussed in a pathway of Techno-Economic Networks (TEN) structures of which has been chosen as the framework for the study and is defined as: *"A coordinated set of heterogeneous actors – laboratories, technical research centres, financial organizations, users and public authorities – which participate collectively in the development and diffusion of innovations, and which organize, via numerous interactions, the relationships between research and the market place."* (Lare' do and Mustar, 1996, p.143).

Networks play an increasing role in the generation of economic growth. Networking is one of the most cost-effective routes to market. Firms and organizations more and more actively

engage in networks as a means to survive in a volatile international market and in a situation of rapid technological change. Engagement in networks has several well-documented advantages. Networks are particularly important regarding innovation. A single firm, on its own, is unable to carry out the complex innovation process. It is essential for a firm to have contacts with external alliances. Studies suggest effective new product development through alliance building (Jenssen and Nybakk, 2013). Innovation performance is a crucial determinant of competitiveness and national progress. Strong international competition and rapid technological development urges firms to produce new products or services, develop new processes and access new markets (Berg et al., 2001). The workforce, suppliers, customers, universities and research industries, government bodies, and of course competing companies share the burden of high R&D costs. Innovation therefore, becomes a collaborative social endeavour. Interactions with suppliers and clients also assume an important role, as do specialised business services. Specialized innovative clusters are present and are getting stronger in Europe (Moreno et al., 2006). Collaboration as a means to enabling and nourishing innovation is an important theme in the literature. Questions such as what happens to firms that are located outside urban agglomerations or in peripheral regions, and are they less innovative, or can information and communication technologies serve as a proxy for face-to-face collaboration are often asked (Todt et al., 2004). Globalization has affected the need of firms to collaborate, in that firms now seek opportunities to cooperate, rather than identify situations where they can achieve majority control. The use of collaboration is particularly acute in capital- and knowledge-intensive sectors. These are also the sectors where firms have expanded internationally fastest, as they need to compete in various markets simultaneously, but also to exploit and acquire assets and technology that may be specific to particular locations. The increasing similarity of technologies across countries and cross-fertilization of technology between sectors, coupled with the increasing costs and risks associated with innovation has led firms to consider R&D alliances as a first-best option in many instances (Narula and Duysters, 2004).

Montenegro is no exception and has the opportunity and strength to face this challenge. Process of knowledge networking (Langlais et al., 2004) is knowing more about what happens to the communication, integration and generation of knowledge during an innovation process, which is very valuable for ensuring its success. It is not the general experience-based capabilities of companies or institutions, but much more their specific strategic network positioning and the efficiency with which they choose their partnerships, that increases the

likelihood that partnerships will continue (Hagedoorn et al., 2006). Regional company representatives and entrepreneurs, who respond favourably to a project and its technology transfer goals based on their growing knowledge of the developing community and work to link members with other people or companies that would be motivated to work with them to fill a need or solve a problem, are more successful. When word spread that these company events help attendees learn about strategically important emerging technologies and make productive and valuable contacts, other locals are motivated to attend these events to get the same benefits (Kapfer, 2007). However, the relationships between collaborative networks and product innovation performance, shows that some firms achieve better product innovation performance than other companies under the same level of collaboration with different types of partners (Tsai, 2009). Therefore companies should balance the level of networking (Luo and Mursheda, 2009).

Interviews were conducted with over 20 company managers, academics and students at the university who collaborate and are engaged in entrepreneurial activities. Attention was focused especially on the industry and university networking. The principles of case study design and method were followed (Yin 2003; Eisenhardt, 1989). Data collection involved both macro and micro level analysis of interviews and direct observation.

The analysis generated a series of conceptual models of university-industry engagement around innovation. Entrepreneurial management approaches were found to be the most successful, although also less easily incorporated into the university's more conservative and risk-averse organizational cultures. Policies for science and technology are intertwined with policies for trade and industry. The innovation process is one, which requires often rather extensive networks of information flows and rather free informal contacts over a fairly long period and often of a rather unpredictable kind. Business will understandably want the lead in any university-business partnership; and will want to define the university's role in this partnership. The ideal scenario for university-business collaboration is for the university researcher to identify and engage a qualified corporate partner prior to initiating research activities, and at the earliest possible time in the corporate product planning cycle.

***Keywords: Innovation Process, Entrepreneurship, Montenegro, Economy, Economical Growth, Networks, Strategy, Networking, Alliances.***



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# WHEN RESTRUCTURING OCCURS: A TIME FOR REFLEXIVE CONSCIENTIZATION TO HIGHLIGHT INDIVIDUAL EMPLOYEE REACTION?

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## Abstract

Restructuring is a fact of life. Branded by some as ‘an evolving process’, it rarely takes place without a great deal of upheaval for individuals and often the culture of the organisation. Individuals struggle at the best of time to cope with the institutional complexities of their work and the actions and interactions of the individual around them (Smets and Jarzabkowski, 2013). Often time for self reflexive accounts from individuals concerning emotions, values, work ethic and morale is downplayed when the typical patterns of work practice in which spatialized politics of knowledge are embedded (Alcadipani et al, 2015) is disrupted and power dynamics seem to be the order of the day as cultures and work worlds collide. To overcome the negative consequences that can result when restructuring occurs Wickert and Schaefer (2015) argue that ‘reflexive conscientization’ a dialogue process, that gradually raises the critical consciousness of employees in order to provide new spaces in which new practices can be talked into existence, should be created. In the literature on mergers for example there is widespread recognition that the success such events depends at least partly on how employees are managed during and after the organisational change. However very few studies (Kavanagh & Ashkanasy, 2004) draw on employee accounts of how they are affected by ongoing restructuring and how much influence they themselves have over the process. This paper will use a mixed methods approach to analyse the extent to which employees feel they experienced voice and representation opportunities involving reflexive conscientization during organisational change in a university setting. Further it will examine the nature of the impact of the change on individuals in terms of emotions, values, work ethic and morale.

***Keywords: restructuring, reflexive conscientization, emotions, individual values, culture.***

# **HRM CHALLENGES WITHIN THE CHANGING BANKING INDUSTRY OF CYPRUS : THE BATTLE OF TWO BANKS**

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## **Abstract**

The aim of the paper is to explore the effects of the changes on bank employees by investigating the changes that HRM practices are undergoing. This research reviews the changes that the banks are undergoing and their impact on the HR practices. It identifies the issues that must be faced, the inhibitors to the changes (e.g. Strong union presence) and the necessary steps that are undertaken for survival and ultimately growth. A case-based methodology is adopted to investigate the research issues and challenges. Through interviews of key informants in the merged bank key HR practices are identified and conclusions drawn about their future impact on creating a sustainable working environment.

An aspect that will be investigated is the presence of human resource practices that encourage corporate entrepreneurship and its effects on the newly formed banking environment. Recent years have found well-established firms attempting to capitalise on the benefits of corporate entrepreneurship and the entrepreneurial spirit. In fact, a growing body of evidence suggests that a corporate entrepreneurial orientation is critical for organisational survival and growth in the contemporary business environment. There has been a growing interest in the use of corporate entrepreneurship as a means for corporations to enhance the innovative abilities of their employees and at the same time increase organizational competitiveness and success through the creation of new ideas, corporate ventures and policies (Pinchot, 1985; Kuratko & Montagno, 1989; Birkinshaw, 2000).

In March 2013 the banking landscape of Cyprus was irrevocably changed. A haircut was implemented on the two largest banks in Cyprus and all banks on the island were closed for nearly two weeks. The ramifications of the cut will be felt throughout the Cypriot economy for years to come. This paper looks at the challenges facing the HR leaders of the banking institutions after the closure of the second largest bank and its absorption by the largest bank on the island while at the same time the bank undergoes a major restructuring, downsizing and the selling off of major international operations. This is a limitation as the banking landscape is continuously changing and it will be difficult to be able to compare with other countries and even other Cypriot banks.

**Keywords:** *HRM issues, Change Management, Corporate Entrepreneurship, HR practices constraints, Trade Unions.*

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# A RESEARCH ON ONE-TIER SYSTEM IN CROATIAN CORPORATE PRACTICE

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## **Abstract**

In 2008, Croatian Commercial Entities Act enabled joint stock companies to choose between two types of management structures: one-tier system consisted of general meeting of shareholders and administrative board; and two-tier system consisted of general meeting of shareholders, supervisory board and management board. The Commercial Entities Act therefore adopted regulatory framework from Council Regulation No 2157/2001 on the Statute for a European Company in order to approximate positive regulation to the European *acquis communautaire*. However, one-tier system is not originally developed in the Union. It originates from Anglo-Saxon business communities, while two-tier system is considered to be a traditional, continental European corporate management system.

Croatian legal system introduced joint stock companies to corporate practice in 1991, after the dissolution of former Yugoslavia and reform from command economy to liberalized market economy. At the beginning, the law mandated only two-tier system as a sole possible management structure in a joint stock company. Therefore, the one-tier system imposes itself as yet another novelty to an corporate management practice.

First, this paper analyzes regulatory differences between one-tier and two-tier system according to Croatian Commercial Entities Act. Since these systems are convergent to each other to some extent, the paper also discusses complementary attributes of both systems. We will also research how approximated are the Croatian laws to the European legislation.

Second, the paper analyzes contemporary corporate governance theory regarding these two systems. The comparative approach reveals advantages and disadvantages of both concepts, as well as their benefits and weaknesses. The most significant systemic difference refers to management and supervisory functions. One-tier system unifies both functions in one body –

administrative board, while two-tier system separates functions to management and supervisory board.

The two-tier system is therefore focused on balancing differing and conflicting stakeholder's interests and protection of minority interests. The strict supervision over executive management is considered to be the most significant attribute of this system. Eventhough the regulatory intention is to strengthen supervisory board's position, the practice often shows adversely results. This board does not have a capacity to interfere in every executive business activity and it depends on information provided by the management. Consequently, the supervisory board cannot exercise all of the assigned authorities efficiently. On the other side, one-tier system emphasizes the management efficiency and flexibility as the most important element of management.

Third, we were wondering how the one-tier system is implemented in Croatian corporate practice. We have set out four hypotheses:

H1 – one-tier system is still not implemented in Croatian corporate practice

H2 – if implemented, the one tier system caused higher expenses for management purposes, instead of financial efficiency

H3 – nor supervisory board, nor administrative board in one-tier system, do not intend to strengthen supervisory function by establishing committees and specialized associated organs

H4 – the managers and stakeholders are not acquainted enough with the one-tier system structure or they do not see the benefits of the system

In order to confirm H1, H2, H3 we have conducted a secondary research on the sample of 50 Croatian joint stock companies listed on the Zagreb Stock Exchange. All the companies have more than ten shareholders and they are complex corporate systems with various stakeholders and interest.

The data were retrieved from official corporate web-sites, the court's registry and annual financial reports of each company involved in the research. If there were inconsistencies in the collected data, only data retrieved from the court's registry were assessed as reliable. The collected data refer to: 1. the choice between two corporate systems; 2. the number of boards' members; 3. the number of specialized sub-committees; 3. correlation between the expenditure for work force and expenditure for boards' members personal income.

In order to confirm H3, we have conducted a primary research on the sample of 10 managers. The members of administrative or management board answered the structured questionnaire in order to research their attitude towards the one-tier system.

The findings of this paper show that one-tier system is still not accepted and it is completely underdeveloped in Croatian corporate practice. When and if implemented, it did not accomplish its primary goal – business efficiency. The papers also argues the causes to this situation and analyzes rare situations in which the companies optioned for one-tier system. Nevertheless, the paper shows that corporate management does not understand its attributes as well as advantages and disadvantages, regardless of whether they have implemented it or have not.

***Keywords: one-tier system, two-tier system, corporate practice, strategic resoruces management, corporate management structures.***



# THE IMPACT OF NATIONAL CULTURE ON THE USE AND OUTCOMES OF E-HRM

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## Abstract

In an era striving for excellence, human resource management (HRM) has become a crucial source of competitiveness. An important development in improving the effectiveness of HR in organizations is the incorporation of information technology systems for the purposes of collecting, organizing, and disseminating HR-related information to users and decision makers (Lin, 1998). However, at this point, the factors that contribute to the successful implementation and use of information technology systems in the human resource area remain to be identified and examined (cf. Leidner & Kayworth, 2006).

e-HRM, defined as “the (planning, implementation, and) application of information systems (IS) for both networking and supporting actors in their shared performance of HR activities (Strohmeier, 2007), has recently received much attention in the literature. e-HRM has been proposed to have three main outcomes: improved HR efficiency; more effective HR service delivery; and, transformation of the HR function into one that is more strategic (Parry, 2011). This third goal, in particular, has been the subject of much debate in the literature (e.g. Marler, 2009; Parry & Tyson, 2011). One reason behind disagreement about the outcomes of e-HRM might be differences in the context in which e-HRM is undertaken. Within the wider field of HRM, the influence of context upon HRM practices is widely discussed (Parry & Tyson, 2013). However, few authors have investigated the role of context in determining the outcomes of e-HRM.

This study focuses specifically on the impact of national context on the use and impact of e-HRM. In a thorough review of the human resource management literature, Aycan (2005) showed that most theories have emphasized the organizational and environmental determinants of HRM practices, while few have explicitly discussed the socio-cultural context. However, growing evidence suggests that national cultures significantly affect the HR practices that organizations are likely to adopt and emphasize, as well as the characteristics of these HR practices (see, e.g., Aycan, 2005, Peretz & Fried, 2012).

Theoretically, our study is based on the contingency approach advocated by a number of scholars (e.g. Aycan, 2005; Johns, 2006). These scholars have argued for a contingent impact of HRM practices on organizational outcomes. In order to fully understand the effects of HR activities on organizational outcomes, it is essential to understand the context in which the organization exists. One key contextual variable that can affect the impact of key HR activities is the societal culture in which the firm is embedded (Peretz & Fried, 2012; Rousseau & Fried, 2001). More specifically, recent work has suggested that national context might influence the uptake of e-HRM practices (e.g. Burbach & Royle, 2013). To date however, research has not examined the impact of national culture on the outcomes of e-HRM.

Within the theoretical framework offered by Hofstede (1991) and the GLOBE project on culture (House et al., 2004), national culture has a strong impact on organizations that can override other organizational and environmental influences (Dickson, Aditya, and Chhokar, 2000; House et al., 2004). In this study, we focus on the impact of four widely-studied dimensions of national culture (uncertainty avoidance (UA), power distance (PD), collectivism-individualism and future orientation (FO)) on the use and level of sophistication of e-HRM and also its impact on the relationship between e-HRM and efficiency (whether fewer HR practitioners are needed); effectiveness (turnover and absenteeism) and the strategic involvement of the HR function. We propose that consistency versus inconsistency between the national values and e-HRM practices will contribute to the organizational outcomes.

Data for the study were obtained from two independent sources: for organizational level variables we used the 2009-10 Cranet survey (see Parry, Stavrou and Morley, 2011 for details). The 14 countries included in this paper were Denmark, Finland, Germany, Hungary, Slovakia, Sweden, United Kingdom, Russia, Switzerland, Israel, Japan, Philippines, Australia and Taiwan. The measures used in this study were: e-HRM use; e-HRM sophistication; efficiency; absenteeism; turnover and the strategic position of the HR function. For national level variables we used measures from the GLOBE database (House et al., 2004) on national culture for UA, PD, collectivism-individualism and FO. These measures will be described in detail in the full paper.

Because of the nested nature of the data (organizations within cultures) we used HLM (hierarchical linear modelling) analysis to examine the relationship between national-level cultural values and organizational-level e-HRM variables and outcomes. First we examined the relationship between national culture values and the use and sophistication of e-HRM. Our

findings showed that PD was positively related to both e-HRM use and sophistication, collectivism was negatively related to e-HRM use, and UA was positively related to e-HRM sophistication.

Second, we explored the moderating effect of national culture values on the relationship between e-HRM and efficiency, effectiveness (turnover and absenteeism) and the strategic position of the HR function. The results showed that FO moderated the effect of e-HRM use on efficiency, absenteeism and strategy position of the HR function, and the impact of e-HRM sophistication on the strategic position of the HR function. PD moderated the impact of e-HRM on absenteeism. Finally, collectivism and UA moderated the effect of e-HRM use on absenteeism and efficiency.

Exploring the moderating effects, the relationship between e-HRM use and between efficiency, effectiveness and strategy, was stronger in the case of low PD and UA and high FO and individualistic countries, and the relationship between e-HRM sophistication and strategy existed only in high FO countries.

To summarize, the effects of e-HRM on efficiency, effectiveness and strategy are not universal but dependent on the national context in which the organization operates. The results support culture-based theories in that management is influenced not only by organizational culture, but also by the culture of the larger society surrounding the organization (e.g. Hofstede, 1991; House et al., 2004; Schein, 2000).

These findings have important implications for the use of e-HRM across different national contexts as they suggest that the outcomes of e-HRM might not be the same in different countries. This means that employers should consider the culture of the national context in which they are operating when considering the implementation of e-HRM systems.

***Keywords: E-HRM, Information System, Culture, National Context.***

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# APPLICATION OF SEGMENTATION AND TARGETING IN THE RECRUITMENT OF HIGH POTENTIALS IN THE PHARMACEUTICAL INDUSTRY

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## Abstract

The global demand for high potential employees is expected to increase substantially in the next few decades. Yet research suggests many organizations fall short in development and application of systematic HR recruitment practices such as segmentation and targeting to improve efficiency of identification and attraction of talented employees. Addressing the shortage of talent for senior leadership positions is critical in the pharmaceutical industry that relays heavily on knowledge workers, has a rather weak leadership pipeline and is currently facing multiple structural changes such as a shift in geographical focus, stringent regulations and a transfer from outpatient to specialty care. Grounded theory method was used to investigate and assess the ways in which segmentation and targeting are implemented in the pharmaceutical industry to recruit high potentials. The analyses of interviews with 15 HR professionals (i.e. company recruitment managers, heads of HR departments and professional recruiters) active in Western Europe and the United States indicated that all the participants acknowledge the benefits of targeting and segmentation, whereas the segmentation criteria (e.g., experience, education, gender) used by each were limited in scope and number. Further, the most common variables used for segmentation were experience and education. Finally, this research provides greater insights into how and why different use patterns of targeting and segmentation instruments for recruitment of high potentials may be explained by different organizational situations such as the need for high potentials, the scarcity of specific groups of high potentials in the market and the attitudes and technical capabilities within HR.

***Keywords: Data Analysis, High Potentials, Human Resources Management, Marketing, Pharmaceuticals, Recruitment, Segmentation, Targeting.***

# STRATEGIC MANAGEMENT OF EMPLOYEE SOCIAL MEDIA USE: IMPLICATIONS FOR HR PRACTICES AND POLICIES

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## Abstract

Processes, procedures and the nature of work continue to change and evolve and organizations must understand and adapt to new technologies on an on-going basis. Social media presents unique challenges to organizations since it has the potential to benefit or to harm business in substantial ways. Employee use of social media is a cause for concern for all types of organizations, including large, small, private, not-for-profit and entrepreneurial ventures because of its far-reaching impact. The use of social media by employees presents additional challenges for HR due to the potential strategic and reputational impact of what employees are broadcasting. As such, there is a significant role for HR to play in moderating employee use of social media so that benefits are achieved without incurring the harms that can result from employee misuse of social media. The current research draws on a Canadian context to explore the HR perspective on social media use by employees.

There are important strategic and reputational implications of employee social media use, and it falls to HR to manage this increasingly complex dimension of the employment relationship. Three primary areas of concern for HR have emerged through the study of legal cases in Canada: the use of social media at work, off-duty use of social media, and the overall management of employee social media use.

First, employee use of social media at work presents different challenges for HR and organizations. Many organizations have concerns about decreased productivity if employees are permitted to use personal social media (i.e. not on behalf of the organization) at work. Others argue that a dalliance on social media during the work day is akin to any other sort of break – for a coffee, chat, or on-line shopping. Many employers demonstrate leniency regarding use of social media at work, but others are concerned not only about productivity, but also the content of employee on-line presence: postings, tweets, photos, and blogs. Of course, the primary concern is related to on-line behaviours that may have

some negative impact on the business. Damage could include harm to the organization's operations, its reputation, or internal employment relations.

Next, with respect to off-duty use of social media, at one time, employees may have felt free to make disparaging statements about their organizations and/or colleagues or clients on their own time. However, using social media as a platform for such commentary changes the degree to which those comments can be considered private, how long the comments endure and how far they reach. Employers have successfully argued that this type of behaviour has a demonstrable negative effect on business, the business' reputation, other employees or the employment relationship. Tweets and Facebook postings, for example, can have a wide audience and therefore are generally not truly private. Even when done off-duty and on a personal site or device, some employee activity on social media has led to disciplinary action that has been upheld by adjudicators in Canada.

Finally, in managing employee social media use, organizations are increasingly imposing discipline for social media misconduct – including slanderous remarks about the business, supervisors or other employees. Where there is a demonstrable harm to the organization, Canadian adjudicators have ruled in favour of employers who discipline, up to and including discharge, employees who engage in such negative behaviours. Organizations must determine the appropriate approach for organizations to respond to employees' on-line presences and, ultimately, the appropriate balance between an employee's rights to privacy and expression and legitimate business interests.

The current research has established, through the analysis of legal cases heard in the Canadian judicial system, that there are inconsistencies in the way employee use of social media is handled by organizations. While there is clear concern about reputational and strategic implications for organizations, the complications for employee relations also needs to be managed; this management best falls to HR. As employees increasingly spend their time online and interact electronically, organizations of all types, with the guidance of HR, will need to establish and enforce policies to prevent and address the potentially tremendous harms that can result from employee misuse of social media.

***Keywords: social media, HR policies, strategic HR.***

# ATTRACTING ANGELS: THE ROLE OF RESOURCE BASED THEORY AND DYNAMIC CAPABILITIES

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## Abstract

The focus of this study is early stage finance provided by informal (angel) investors. Specifically, we seek to describe the mechanisms by which angels use their assessment of, and influence on, human capital resources and dynamic capabilities to select investment opportunities, negate risk and develop their investees. This study is based on a synthesising review of the following relevant publications; fifty two peer reviewed articles, three Irish Government reports, and three OECD reports.

Empirical evidence indicates that angel investment is considerably more important to early stage companies than venture capital or bank financing (Wiltbank et al., 2007; Maxwell, Jeffrey and Lévesque, 2011; Fairchild, 2011; Brush, Edelman and Manolava, 2012). Given the criticality of informal financing to the start-up ecosystem, and therefore the economy (Stangler and Litan, 2009; Stangler and Kedrosky, 2010; OECD, 2010; DJEI, 2013; Hathaway, 2013; DJEI, 2014), this paper seeks to better understand the mechanisms by which a nascent firm's human capital resources influence the processes and decision-making criteria employed by these essential contributors.

A positive relationship between human capital resources and a nascent firm's success has been identified by a number of authors (Wong, Bhatia and Freeman, 2009; De Winne and Sels, 2010; Colombo and Grilli, 2010; Marvel, Davis and Sproul, 2014). Furthermore, the significance of dynamic capabilities to a firm's success in the high velocity start-up environment has also been identified (Eisenhardt and Martin, 2000; Teece, 2007; Wu, 2007). However, relatively little research has been carried out on the role of human capital in early stage companies (Marvel, Davis and Sproul, 2014). Specifically literature has not, thus far, identified the mechanisms by which human capital resources and dynamic capabilities translate into early stage company success. If early stage company success is viewed as surviving the 'valley of death' (Cobb and Johnston, 2012, p159), where the cash burn rate is



high and revenues are low or non-existent, it follows that securing investment is a precursor to success.

Building on this view of success, we explore the importance of human capital resources, resource based theory (Barney, 1991; Barney and Wright, 1998) and dynamic capabilities (Teece et al., 1997; Eisenhardt and Martin, 2000; Helfat and Peteraf, 2009), in the context of the angel investing process. We present our conceptual human resource centric, angel investment model as a more accurate reflection of the angel investing process than the existing, financial centric, models. Our contribution is our explanation of how human capital resources and dynamic capabilities positively influence the angel investor's decision to commit to particular nascent firms. Angel investing is an essential element of the start-up ecosystem. Therefore, contributions which enable a better understanding of angel investors and the angel investing processes are valuable to entrepreneurs, informal (angel) investors, seed-accelerator programme managers, educators, legislators and academics.

***Keywords: Angel Investment, Human Capital Resources, Resource Based View, Dynamic Capabilities, Early Stage Financing.***

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# THE EFFECTS OF INNOVATION, R&D AND TECHNOLOGY ON FIRM COMPETITIVENESS

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## Abstract

Small and medium enterprises (SMEs) are considered as the backbone of economic development worldwide. The market globalization as well as the introduction and improvement of technology led enterprises to facing many constraints due to lack of resources and innovative competencies. In that context, internal resources and capabilities seem to be vital factors in firm's competitive position among others.

## Purpose

This study aims to examine the determinants of firm-level innovation on evidence from Greek manufacturing small and medium enterprises (SMEs). The study, drawing on the resource-based view of the firm, attempts to investigate the intergraded and individual effects of internal resources and capabilities (R&D and technology issues) on firm innovation.

## Design/methodology/approach

The research investigates the integrated and individual effects of R&D and technology on firm innovation performance on a combination of quantitative and qualitative evidence. A survey based methodology was used for the collection of primary data from 406 Greek manufacturing firms. Based on previous literature, this research attempts to provide new evidence on innovation, R&D activities as well as technology relating with organizational practises and perceptions. Aspects of firm exports and performance are also considered. Firm innovation performance is measured by a proxy taking account of product and process innovation Principal Componenta Analysis (PCA) was used for variables reduction and variables were tested for autocorrelation through correlation matrix.

## Findings

As the research is ongoing, the expected findings according to prior literature suggesting that R&D and technology aspects both individually and in total present positive correlation with

firm innovation performance and competitiveness. Additionally, this empirical study sheds light on the linkages between factors and innovation at firm-level.

### **Originality/Value**

The Greek industry is seriously hit by the economic crisis, which is even more the case with the country's manufacturing sector. The originality/value of this study is that investigates the effects of firm management aspects relating to R&D and technology on firm innovation performance through utilization of primary-qualitative data combined with financial firm-level data. Simultaneously, a proxy of innovation is used in order to measure firm innovation performance.

### **Implications**

The findings have implications for practitioners, managers and policy makers. Managers get valuable insight on the positive effects of R&D and technology on firm innovation performance when it comes for them to devise strategies towards enhancing their firms' competitiveness. Policy makers should support institutional and inter-firm cooperation and provide support for the application of innovation and new technology. Manufacturing products should not compete on price only but mainly on quality and product differentiation so that manufacturing firms' competitiveness is maintained, imports are substituted, the trade deficit is decreased and subsequently the growth of the manufacturing sector is restarted. Innovation and R&D can successfully contribute towards the formation of competitive advantage in dynamic markets worldwide.

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# THE ART OF PROJECT MANAGEMENT: ORCHESTRATING MULTICULTURAL PROJECT TEAMS

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## Abstract

The research aims to identify common attributes of world-class conductors of symphonic orchestras and managers of multicultural projects involving highly skilled personnel. Additionally, the research will focus on aspects from this comparison, which could potentially enrich existing project management models, methods or tools. A further aim is to identify opportunities to organise or orchestrate highly skilled multicultural project teams to manage cultural interference effectively.

The different cultural backgrounds of project team members can lead to problems in social interaction. Social interaction has been found to have a direct impact on outcomes delivered by project teams (see e.g. Bouncken (2009), Hong and Boyd (2010), IT Cortex (2012a), IT Cortex (2012b), Kerzner (2013)). A rich body of academic literature addresses these problems, predominantly however from a post project perspective (see e.g. Williams and Kendrick (2011)). Further research is required to consider how, from a pre-project perspective, these problems could be avoided, rather than dealing with them retrospectively. This research seeks to demonstrate how the work of world-class conductors can be compared to the work of managers of highly skilled multicultural projects. How, for example, could the comparison be used to enrich project management models, methods or tools? Additionally, what opportunities exist to improve the effective management of cultural interference by organising or orchestrating highly skilled multicultural project teams?

There is an assumption that orchestrating highly skilled multicultural project teams is more complex than managing homogeneous low-skilled project teams, because intellectual and cultural difference add an additional dimension to management (see e.g. McCann and Margerison (1989)). However, it has become apparent that there is no a specific and universal way of orchestrating highly skilled multicultural project teams (see e.g. Edmondson (2012)). The perceptions and interpretations of project members are affected by cultural factors (theirs and that of the context), which leads to different decisions and behaviours (see e.g. Hofstede (2001)).

Such cultural differences affect approaches to managing highly skilled multicultural project teams or interactions within these teams (see e.g. Hofstede (1980)). Furthermore, this has a direct impact on the outcome of the projects (see e.g. Bouncken et al. (2008)).

During the research journey, the use of the metaphorical device of the orchestral conductor has changed from a means of illustration to an academic research approach. This is because a metaphorical comparison allows the combining of knowledge from different disciplines. The discipline of conducting originates from the science of 'art' and music performance and production in particular, whilst the discipline of project management has developed from economics. Like project managers, conductors use tools to interact with team members (musicians). By studying the conductors' tools and behaviours, this study will develop a new understanding of how project managers can improve their project management.

A brief literature search on statements such as "What are the qualities of a good conductor?" reveals differing perspectives. These perspectives make clear that beyond the competence to read notes, understand music, a knowledge of instruments, etc., a good conductor requires additional soft skills such as emotional intelligence (see e.g. Abbas (2013)).

The use of metaphor-based analysis can be seen as an innovation in qualitative analysis methods (Sharp et al., 2005). Gentner (1983) pointed out that a metaphor can be seen as a structural mapping of knowledge from a base domain to a target domain. Thus, this approach serves as a mechanism to develop a depiction of a set of relations. To achieve this, data analysis will be based on an open-ended inductive process, where the aim is to build up a theory. A preliminary task is to critically validate existing project management methods, tools and personal soft skills as cited for a project manager with the findings derived from conductors and musicians in orchestras. The use of semi-structured interviews serves to identify parallels and comparable attributes (Given, 2008). These parallels and attributes will be used to develop clusters applicable to both contexts. The use of metaphor in interpreting the qualitative data requires a three-step process for the analysis of the interview data (Sharp et al., 2005). Firstly, to identify the initial mappings to verify that the particular metaphor is likely to be useful; secondly, to seek confirmatory mappings to endorse that the metaphor supports existing observations about project management and thirdly to use properties of the metaphor to explore further findings. This process was developed by Sharp et al. (2005) and was successfully used in qualitative research based on metaphor. The emphasis in this approach is vested in an explorative stage, which seeks to explore the properties of the metaphor within the qualitative data.

**Keywords:** *Project Management, Project Manager, Project Team, Culture, Diversity, Conductor, Symphonic Orchestra, Metaphor.*

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# INTEGRATION APPROACHES AND HR TASKS IN MERGERS AND ACQUISITIONS

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## Abstract

Despite their popularity, and dismal performance track record, mergers and acquisitions (M&A) remain poorly understood and poorly executed (Weber, Tarba and Oberg, 2014; Weber and Tarba, 2010). For example, in 2011, global M&A activity shattered previous years deal volume records and recent surveys reveal that despite the financial market crisis, executives remain upbeat about their M&A plans around the world (Deloitte 2012; BCG 2012; Bloomberg 2012). However, recent meta-analyses examining the most widely studied variables in the M&A literature (King et al., 2004; Stahl and Voight, 2008) have not clearly established the reasons for the high failure rate of M&As.

One reason why the research on acquisition performance in several disciplines, such as industrial economics, strategic management, and finance, has not produced consistent results is that it has failed to account for the role of human resource (HR) practices and mechanisms implemented during M&As stages, especially during post merger integration process (Weber, 2013; Weber, et al., 2014). Furthermore, the post merger integration process requires contradicting efforts and tradeoff between the use of resources for both human and task integration (Birkenshaw, Bresman and Hakanson, 2000; Bjorkman, Stahl and Vaara, 2007; Weber, Oberg and Tarba, 2014). Moreover, simultaneous human and task integration is likely to increase conflicts due to cultural differences and thus may impede both human and task integration (Bjorkman et al., 2007; Weber and Tarba, 2010). This tradeoff becomes even more complex when considering that M&A have various levels of cultural differences and synergy potential that required high balance and alignment of systems and resources, namely, Organizational Ambidexterity (OA). In a recent review of the concept, Birkenshaw (2012) summarizes "ambidexterity is an organization's capacity to address two organizationally-incompatible objectives equally well.

Yet, the concept of OA needs development and application in various organizational situations. Although O'Reilly and Tushman (2013) indicate that scholars have recently refined

the concept of OA, they conclude that "To be successful at ambidexterity, leaders must be able to orchestrate the allocation of resources between the old and new business domains. How they actually do this is seldom addressed in the research on ambidexterity but is at the core of the leadership challenge."

The OA concept seems appropriate to deal with the complexity and contradiction of post merger integration process faced by HR managers and other leaders. The goal of this paper is twofold: a) to develop the concept of ambidexterity about major HR issues such as the balance between human and task integration, and b) to articulate different balance options for human and task integration in different post-merger integration situation. Thus, this paper clarifies how HR managers and leaders can manage the inevitable conflicts that arise during post merger integration as well as points on future research directions.

# **EXPLORING THE LONG-TERM SURVIVAL OF INITIAL PUBLIC OFFERINGS: HOW THE STATES OF EIGHT RESOURCE CLASSES AT IPO : INFLUENCE 20 YEAR FIRM SURVIVAL**

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## **Abstract**

According to Sheppard (1994), "the assets of publicly traded corporations that filed for bankruptcy in 1990 totaled over \$80 billion." Organizational death costs money, and this significant amount is only a portion of what is lost every year due to firm failures. However, there is very little research that sheds light on the causes of corporate death. What research there is primarily focuses on financial determinants, even though a large body of work suggests that human capital assets can provide firms with a strategic advantage (Hatch and Dyer, 2004).

In this paper, we use exploratory and theory building approaches to study organizational survival in a unique sample of companies. Our work builds on an established theory of the firm, the resource-based view (RBV), which proposes that organizations can gain competitive advantage by developing resources at their disposal, especially those that are rare, valuable, difficult to imitate or for which there are no substitutes. Examples of such resources include technology, human resources, patents, capital, and equipment. Specific human capital resources cited in the literature as sources of competitive advantage include key personnel, management, training methodology, and the unique skill profile of the employee pool. We take a broad approach and examine a number of resource types, measured from multiple sources, in an effort to explore which are associated with long-term survival.

Our sample consists of companies that conducted initial public offerings (IPOs) in 1993. We focus on this critical time in a company's history because it marks a point not only of massive change caused by an influx of regulation, capital, and shifting responsibility to stakeholders, but also because evidence suggests such factors create lasting imprints that affect success over time (Baron, et al. 1999).

## **Design Methodology**

This research is part of a large and ongoing project on IPOs encompassing nearly 3,000 companies. The sample described here consists of 708 companies that went public in 1993 and employ people, as opposed to those offerings used as financial instruments by established firms or shell companies.

At the time each company went public, a team of researchers read its investment prospectus and recorded information from it regarding a variety of topics including internal financials, risk factors, product and management characteristics, and the offering. In 1994, the team surveyed VP to C-Level employees at these newly-public firms about the importance of 32 types of resources to their company's success. Leaders from 356 companies responded, telling us about the characteristics and resources they considered important to their success in business. An additional 1994 survey specific to human resource managers yielded 104 responses and provided special insight into HR practices.

Below are the variables that differ significantly in companies that survived 20 years after IPO and those that did not. Statistical tests differed by the type of variable, but include t-tests, logistic regressions, Pearson correlations, and  $\chi^2$  tests. These comparisons give us a starting point for a deeper exploratory, theory building, and hypothetico-deductive research in the future.

## **Findings**

Our analysis suggests that a wide range of factors present at IPO may contribute to a firm's long-term success. Significant differences between alive and dead firms fall into eight categories and, unless noted, these factors have positive effects on 20-year survival

1. *Assets*: property, plant, and equipment in 1993
2. *Product and service*: unique product characteristics, customer service
3. *Human resources*: number of full-time employees, total executive compensation, amount directors are paid per year, team work and cooperativeness, maintaining adequate compensation, maintaining effective staffing, providing training and development, tracking performance measures
4. *Leadership*: CEO education (negative), number of people on top management team, total number of officers and directors, founder's influence (negative)
5. *Offering characteristics*: intent to pay dividends, total shares offered, auditor opinion (negative), number of "selling shareholder" shares offered (negative)
6. *Use of proceeds*: intent to use to purchase other businesses (negative), intent to repay debt

7. *Risk factors*: product or service is new, seasonal business, product dependence, technological change or obsolescence
8. *Corporate financial conditions at IPO (1993)*: market value, return on assets, return on equity, return on investment, sales, book value per share (negative), cash flow, shares outstanding, earnings per share, net income, end of year 1994 stock price

Many of the variables associated with survival relate to corporate size: larger companies with more physical, fiscal, leadership, and human assets were more likely to survive after 20 years. Surviving firms were also more likely to value unique products and human resource practices, which supports a core tenant of the RBV suggesting that inimitable resources provide a competitive advantage. The size of the leadership team and board correlated significantly with survival, but firms with highly-educated CEOs actually fared worse. Firms with managers who reported that the influence of their founder had little influence were less likely to survive 20 years. Going public with an eye on acquisitions was associated with lower survival, as were several independent risk factors.

### **Research Implications**

Given that there is so little research on organizational death, our primary goal is to provide a broad survey of the subject and spur additional work on the topic. In addition, we show that many characteristics present at IPO are associated with company survival long after. In our next round of analysis, we will more deeply examine how resources work together to influence survival. This work will be supplemented with case studies which will help us and others develop new theory and a deeper understanding of the role human capital plays in firm survival.

### **Social Implications**

When public companies fail, jobs and wealth go with them. The goal of our research is to increase the long-term survival expectations of newly public companies.

### **Originality**

For this project, we merged data from investment prospectus, financial databases, and surveys conducted just after IPO with intensive investigative work into the deaths of several hundred companies. We are unaware of other research that incorporates such diverse information on an important topic that has received so little attention, firm death.

***Keywords: Initial public offerings, resource based view of the firm, human resources, firm survival, longitudinal research, survey research.***

# LOCAL RESPONSIVE CSR FOR FIRM COMPETITIVENESS: INSTITUTION-BASED PERSPECTIVES

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## Abstract

Taking the institution-based view of strategy and firm competitiveness, this study explores two imperative factors in China's dynamic institutional environment: trends in government directives (i.e., prioritizing sustainable development as compared to the past focus on fast quantitative growth based on annual GDP), and growing competitive pressures for firms to embrace corporate social responsibility (CSR) in their firm-industry specific operations, including supply chain management (e.g., ethical labor practices, energy-efficient manufacturing, carbon footprint reductions, green logistics, eco-friendly sourcing and procurement); both are largely driven by the rising public concerns over corruption, unfair labor practices, overuse of resources, environmental pollution, and the like. Firm-industry specific CSR approaches identified shed light on how MNEs adapt inward and outward for balancing cost and positive contributions through local responsive strategic CSR. Integration of suppliers into one's CSR guidelines and support programs stands out as a differentiation strategy, reflecting a collectivistic CSR orientation, such as involving and assisting suppliers as in-group members. Practical implications are provided in relation to potentially cutting cost, building good brand reputation, fitting into the changing institutional environment, and benchmarking strategic CSR initiatives for local responsiveness and global competitiveness.

***Keywords:*** *institution-based view, CSR, emerging markets, MNEs, local responsiveness, sustainability, China.*