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The editor of MJBE is Dr. Marty Ludlum, Legal Studies department, the University of Central Oklahoma.

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Yue Yuan, University of Chicago
Examining Stock Returns through Anomalous Volume: 1966-2009

Oklahoma City, Fall, 2012 Conference:

Kusum Singh
LeMoyne-Owen College
Paper: Distance to the Border: The Impact of Own and Neighboring States Sales Tax Rates on County Retail Activity

Daniel Adrian Doss, Russ Henley & David McElreath
University of West Alabama

Ralph Bourret & Dana Roark
Northwest Oklahoma State University
Paper: Are Routine Retiring CEOs More Closely Monitored in their Last Year?
Abstract

This paper presents the results of an Internet survey of university Information Technology (IT) managers on the use/abuse of IT resources by a university's employees. An invitation to participate in the study, by taking an online survey, was sent to the Chief Information Officer (CIO) of 399 universities in the United States. The survey was completed by 35 participants, a return rate of 8.77%. The survey sought data on university size, public/private organization, whether there were policies in place on acceptable use of IT resources, possible employee use and actions, and finally how IT resources were monitored if they were monitored. Results revealed that most universities had policies on the proper use of IT resources but were very unlikely to monitor use/abuse of IT resources mainly due to a lack of personnel. Some potential abuses were identified and respondents were asked what actions might be taken with respect to such abuse. Except for viewing child pornography, most abuses involved simply reprimands or in some cases loss of access to IT resource. In the case of child pornography, employee termination was the most likely action to be taken by the university.
Introduction

Use of the Internet is part of many people’s jobs in the 21st century. Easy access to broadband has helped companies build large networks that aid in everything from sales, to supply chain management, to customer service. It is only natural that with the opportunity the Internet provides, there is also abuse. Recent research in the academic literature has investigated these abuses and the methods to curb improper Internet usage in the workplace.

The overwhelming majority of this research takes place in the private business sector, yet almost everyone in academia has heard about or witnesses misuse of a university’s IT resources. Some examples of misuse/abuse of the Internet in an academic setting known to the authors are given below:

1. A university professor shuts down the server because of the simultaneous downloading of adult porn to his office computer.
2. An accounting professor ran a private accounting firm from his university office and on university computers.
3. A graduate student was arrested and law enforcement officials confiscated the university computer to which he had access because he was distributing child pornography from the computer.
4. A marketing professor used university resources to conduct marketing research for his clients using university computers and software licensed to the university for academic purposes.
5. A university professor was sending pornographic links to someone and accidentally sent the link to everyone on campus, including the President of the university.
6. An IT specialist suspended after the use of IT resources for viewing pornography.

In light of these abuses and other issues, this paper addresses sanctions against university employees for Internet abuse, frequency of university monitoring of employees, and methods to monitor employees. Thus, this paper addresses a subject that is covered in current research but fills the gap by focusing the subject on universities. We will first review the recent literature on Internet abuse, its consequences, and attempts to control the abuse. We will then discuss some factors that highlight the differences between universities (particularly faculty) and the private business sector. Finally, we will present the findings of an exploratory study concerning Internet abuse in an academic setting and will provide our conclusions and suggestions for future research.

Literature Review

The concept of “acceptable Internet usage” by employees of private businesses, government, and university employees has received a great deal of attention in both the academic and practitioner press (e.g., Case & Young, 2002; Lim, Teo, & Loo, 2002; Swartz, 2008; Wen, Schwieger, & Gershuny, 2007). Issues addressed include loss of productivity, damage to an organization’s reputation, illegal activities, and creation of hostile work environments. We will briefly look at several of the issues concerning employee use of the Internet addressed in the literature as well as several of the legal issues involved. We will then note the unique situation concerning university faculty and Internet usage. This will provide a sufficient background to interpret the significance of the results of our study.

Personal Use of the Internet by Employees While at Work
Case and Young (2002) report an American Management Association survey which found that 89% of firms monitor their employees’ Internet usage, at least to some extent. The monitoring includes e-mail, website visits, and software piracy. Further, Case and Young (2002) report that the leading inappropriate uses of the Internet are, in this order, accessing pornography, online chatting, gaming, sports, investing, and shopping at work.

Recently, social media has also become a part of the Internet landscape and poses some distinctive problems. While employees may spend too much time on social media sites, thus reducing productivity, social media is also an integral part of the work routine at many firms (Jackson, 2010). For example, many companies use social media sites (e.g., Facebook, LinkedIn, etc.) to either hire employees or do preliminary background checks. Additionally, social media is used to connect with customers, promote brands, and offer discounts to regular customers. Thus, it may be unclear when social media use is part of the job or for the employee’s entertainment. Further, employees have the ability to disparage their employer using social media. To prevent these abuses, a clear policy concerning social media use should be implemented. See Jackson (2010) for a list of recommended policies.

Lim (2002) developed the term “cyberloafing” to describe employee activities on the Internet that affect productivity. Cyberloafing is defined as “the act of employees using their companies’ Internet access for personal purposes during office hours” (p. 675). According to Lim, Teo, and Loo (2002), 84% of employees reported in a survey that they sent and received personal e-mail while at work and over 90% had used their company’s Internet for recreational purposes during work hours. Thus, cyberloafing appears prevalent at many firms and may result in reduced productivity, quality issues, and a strain on technological resources (Sharma & Gupta, 2003; Young, 2010).

The reduction in productivity is obvious. Less observable is the possible reduction in work quality associated with cyberloafing. Quality issues are related to a lack of response to customer needs, missed deadlines, and uncompleted tasks (Young, 2010). Additionally, while bandwidth continues to expand, there is still the possibility of a strain on the firm’s entire IT network. In one instance, known to the authors, a faculty member was using a university’s Internet to download several pornographic movies at once. The strain on the server alerted the IT department and the perpetrator was caught and eventually dismissed.

Ponography, particularly child pornography, as well as other sexually explicit or racially offensive material may put the employer at risk (Greenfield & Davis 2002; Panko & Beh 2002; Siau, Nah, & Teng 2002). These risks include the downloading of illegal material (child pornography), copyrighted books, music, or videos, and gaming sites. Additionally, “legal” sexually explicit material circulated among employees may lead to a charge of a hostile work environment under Title VII of the Civil Rights Act of 1964. As reported by Panko and Beh (2002), in Strauss v. Microsoft Corporation a Federal court held that several sexual jokes and parodies a supervisor emailed to employees were consider sexual harassment. Further, according to Panko and Beh (2002), the 4th Circuit Federal Appeals Court held that an employer with actual or constructive knowledge of such behavior must take immediate action to eliminate any possibility of a hostile work environment. Some estimates of male, white-collar workers accessing pornography at work have been as high as one in five (Siau, Nah, & Teng, 2002).

Another possible creation of a hostile work environment is cyber-sex or online sexual chat rooms (Chou, Sinha, & Zhao 2008). A recent study found that over 12% of employees accessed sexually oriented web sites while at work (Lim et al., 2002). Employees who access
these sites often display or distribute pictures and other information from these sites (Siau et al., 2002).

Methods to Monitor Employee Internet Use at Work

Questions of what is and what is not personal abuse of the Internet at work cloud the attempts to discipline wayward employees. An example is an employee who e-mails a friend to say she will be late to a dinner engagement because a business meeting has been rescheduled. Is this a personal or business use of the e-mail system? (Sipor & Ward 2009). Further, even if the employee is abusing the firm’s e-mail system, courts have noted that employers cannot read employees’ e-mails or texts without the permission of the employee (Swartz 2008). However, the USA Patriot Act has expanded the government’s authority to monitor electronic communications including e-mail although there is no general oversight of private sector employee monitoring (GAO 2002).

Despite court decisions concerning employee privacy, firms have investigated a number of methods to detect Internet abuse by employees. While some of these electronic monitoring (EM) practices may be effective, there are also tradeoffs. The EM procedures may discover abuse of the Internet by employees but may also lead to lower job satisfaction and higher turnover (Urbaczewski & Jessup 2002). Although it is estimated that two-thirds of U.S. firms have either disciplined or terminated employees for Internet abuse (Greenfield & Davis 2002; Siau et al. 2002), more firms are also realizing the subsequent lower employee morale and lost productivity (Young & Case 2004).

An interesting defense by employees threatened with punishment or termination is that of “Internet addiction.” This affliction involves a preoccupation with the Internet along with an increase in anxiety when forced to be off-line. Internet addiction leads to social isolation, marital problems, and reduced job performance. Human resource managers and employee assistance programs (EAP) report an increase in Internet addiction as a defense and claims are being made under the Americans with Disabilities Act (Young & Case 2004).

In addition to EM, firms also implement Acceptable Internet Usage Policies (AIUP). As opposed to EM, the AIUP does not control or spy on employees. Instead, the AIUP is a guideline for Internet usage by employees and is similar to a code of ethics for Internet use (Siau et al., 2002). In addition to an AIUP policy, firms may become proactive in managing Internet abuse. This involves screening for Internet misuse tendencies in the hiring process, effective policies and training, EM, and an attempt at rehabilitation before termination (Young 2010). Table 1 illustrates the elements necessary for an effective AIUP.

Table 1

Guidelines for Developing an Acceptable Internet Usage Policy

| Begin the Internet usage policy with a value statement that reflects the organization’s mission and vision. |  |
| Make sure the AIUP conforms with the firm’s Code of Ethics and other standards and policies. |  |
| Involve employees in the development of the AIUP |  |
| Explain to employees that use of the Internet is for business purposes and the employees have no right of privacy concerning Internet use at work. |  |
| Caution against any improper activities. While it is impossible to develop an exhaustive list of infractions, list the most obvious (e.g., sexually explicit material, offensive jokes or cartoons, and anything that casts a negative light on the organization. |  |
Strongly urge employees to regularly delete e-mail. Inform them that the system administrator will automatically delete any email over 30 days old.

Remind employees of the penalties for violating copyright, patent, and trademark laws as well as other violations of intellectual property.

Encourage the reporting of violations. Provide an ombudsman within the organization to whom violations can be reported if the perpetrator is the employee’s immediate supervisor.

Provide for fair and balanced enforcement. Enlist the help of the Human Resource department and the firm’s Employee Assistance Program.

Adapted from Siau, et al. (2002) and Young 2010

Internet Usage in the University Environment

Higher education has embraced the Internet not only as a method to enhance research, but also classroom and online teaching. The worldwide web helps in the creation of course materials and engages students in active learning (Vongchavalitkul, Sing, Neal & Morris 2005). Further, according to the American Association of University Professors (AAUP), freedom of expression and freedom of inquiry on the Internet should have no more restrictions than would exist for non-electronic material (AAUP 2006). As with private firms, universities also face potential charges of a hostile work environment and many universities have speech codes.

One interesting difference between most business firms and universities involves sexually explicit material. Professors in art, psychology, and other disciplines, may download and share images that would be considered pornographic in another context. Universities are required to determine what on the Internet is accessed for legitimate research reasons and what is downloaded purely for prurient interests (AAUP 2006).

Another issue involves consulting. Many universities encourage faculty members to consult in order to remain current in their field. The line between consulting to remain current and “moonlighting” a second job may become blurred. To what extent is it acceptable to use the reputation and resources of the university to consult in order to enhance classroom teaching and when does this spill over into running a separate business at the university’s expense?

The AAUP has also addressed “extramural utterances” by faculty. That is, a faculty member’s fitness for his or her teaching position cannot be based on opinions uttered off campus or outside the classroom. Yet, with the advent of the Internet, the terms “off-campus” and “classroom” do not mean what they once did. If a faculty member posts a Holocaust denial statement on her faculty web page from her home, is this an intramural or extramural statement? Further, with online students, the classroom is expanded to include all sorts of proprietary software such as Blackboard as well as publically accessed wikis, blogs, and web pages (AAUP 2006).

None of this is to suggest that universities should abandon promoting proper Internet usage by faculty and staff. Instead, the differences between universities and business firms should be recognized and faculty and staff need to be involved in the development of any applicable policy.

Below we report the results of an exploratory study to determine the actions universities take against faculty, staff, and administration when the university’s AAUP is violated, the frequency of monitoring of employee’s use of IT resources and the methods used to monitor use of IT resources.

The Current Study
An invitation to participate in the study, by taking an online survey, was sent to the Chief Information Officer (CIO) of 399 universities in the United States. The survey was completed by 35 participants, a return rate of 8.77%. The survey sought data on university size, public/private organization, whether there were policies in place on acceptable use of IT resources, possible employee use and actions, and finally how IT resources were monitored if they were monitored. Most of the universities are public, 77%, with 20% being private. One school reported as private with formal religious affiliation. All of the universities offered at least a Master’s degree with 77% offering a doctorate degree. All of the universities have a formal policy regarding acceptable uses of IT resources and 71% have a formal policy regarding forbidden uses of IT resources. The universities that have procedures for monitoring employee’s use of IT resources were reported as 20%.

Respondents were asked “What types of actions are taken when procedures are violated by an employee?” The responses are shown in Table 2. These results indicate that most respondents felt that the last four misuses of IT resources were the most serious especially viewing child pornography. In most states, it is illegal to keep such images on a computer and distributing such images is a federal crime and failure to respond if knowledgeable about such incidents may make administrative officials liable to prosecution.

Table 2

<table>
<thead>
<tr>
<th>Actions Taken When Policies Are Violated</th>
<th>Take no action</th>
<th>Verbal reprimand</th>
<th>Written reprimand</th>
<th>Lose access to IT resources</th>
<th>Terminate employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Using IT resources to run business</td>
<td>8.57%</td>
<td>20%</td>
<td>34.29%</td>
<td>11.43%</td>
<td>25.71%</td>
</tr>
<tr>
<td>Using IT resources for personal business</td>
<td>47.06%</td>
<td>29.41%</td>
<td>20.59%</td>
<td>2.94%</td>
<td>0%</td>
</tr>
<tr>
<td>Divulging personal student information</td>
<td>0%</td>
<td>6.25%</td>
<td>46.88%</td>
<td>0%</td>
<td>46.88%</td>
</tr>
<tr>
<td>Divulging personal employee information</td>
<td>0%</td>
<td>9.38%</td>
<td>43.75%</td>
<td>0%</td>
<td>46.88%</td>
</tr>
<tr>
<td>Viewing adult pornography</td>
<td>6.06%</td>
<td>9.09%</td>
<td>36.36%</td>
<td>6.06%</td>
<td>42.42%</td>
</tr>
<tr>
<td>Viewing child pornography</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>3.13%</td>
<td>96.88%</td>
</tr>
</tbody>
</table>

Respondents were also asked how frequently employee us of IT resources was monitored. The results are show in Table 3. Note that the most common response in each category was “Never” which means that even though they have policies in place, employees are not monitored to determine whether the policies are being violated.

Table 3

<table>
<thead>
<tr>
<th>Frequency of Monitoring Employee Use of IT Resources.</th>
<th>Never</th>
<th>Daily</th>
<th>Weekly</th>
<th>Quarterly</th>
<th>Annually</th>
</tr>
</thead>
<tbody>
<tr>
<td>Email</td>
<td>94.12%</td>
<td>0%</td>
<td>0%</td>
<td>5.88%</td>
<td>0%</td>
</tr>
</tbody>
</table>
Respondents who did say employees use of IT resources were monitored, were asked what methods were used to monitor employee use of IT resource. The results are shown in Table 4. The most frequent response was log files followed by scanning computer for illegal software.

### Table 4

Methods Used to Monitor Employee Use of IT Resources

<table>
<thead>
<tr>
<th>Method</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manually</td>
<td>12.5%</td>
</tr>
<tr>
<td>Log files</td>
<td>25%</td>
</tr>
<tr>
<td>Keyword/Phrase email scanning software</td>
<td>12.5%</td>
</tr>
<tr>
<td>Remote Desktop Viewing</td>
<td>2.1%</td>
</tr>
<tr>
<td>Remote Recent Document History Viewing</td>
<td>4.2%</td>
</tr>
<tr>
<td>Remote System Information Viewing</td>
<td>4.2%</td>
</tr>
<tr>
<td>Scanning university computers for illegal software</td>
<td>18.8%</td>
</tr>
<tr>
<td>Keystroke capture software or device</td>
<td>2.1%</td>
</tr>
</tbody>
</table>

Chi square analysis was used to compare responses based on the size of the university and whether the university was public or private. There were no significant differences in responses based on these two characteristics.

Only 20% of the respondents said that their university had the proper staff to monitor the entire network adequately. Sixty six percent of respondents said that the university did not have the proper technology to monitor the entire network adequately. Ninety four percent of respondents said that their university and moderate, low or no concern about monitoring IT resources used by employees.

### Discussion

**The Gray Area Between Use and Abuse of IT Resources**

It would appear that there is a gray area between the proper use and abuse of a university’s IT resources. Most universities encourage faculty to provide service to the university/college constituency. For many faculty, this may take the form of consulting/research services to these constituents. In most situations, this involves a fee for services provided and may well involve the use of the university’s IT resources to provide this service. Also, such
services would usually be provided on a “fee for service” basis with the faculty member being compensated by the constituent for the work done.

Business faculty, for example, are often asked to perform consulting services, complete research projects, or serve as expert witnesses for companies. They are usually compensated for these services on a project or hourly basis and use their campus office and IT resources to complete the projects. This type of activity is usually encouraged by business school administrators and falls in the category of service as a part of a faculty member’s portfolio of activities which are used for tenure and promotion decisions. So the Business School’s desire for faculty to serve constituents results in using university IT resources in the form of research, data analysis, computer and printing services and supplies to complete a project while the faculty member is being compensated by both the university AND the company.

To Monitor or Not to Monitor

While most firms monitor employees’ use of the Internet, most universities do not. In light of the ongoing debate concerning academic freedom, this is probably the best course of action, or non-action, for university administrators to take. Monitoring the use of IT resources by university faculty would most likely create an adversarial environment that would not be beneficial to either group. University administrators should review the AIUP that is in place and involve faculty in revising the policies if needed. These policies should be clearly communicated to faculty and other employees of the university. Additional research needs to be done to determine the quality of these policies.

References


WHAT DOES ASSORTMENT DO FOR STORES?

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Abstract

I study the impact of three key decision variables—assortment, price and location—in the store choice arena with the focus on assortment the pure strategy equilibrium it leads to. It has been widely accepted lately by researchers and practitioners that higher assortment does not necessarily lead to higher profit. This could still hold even if operational cost of maintaining assortment is intentionally ignored. But little work has been done in the analytical form. As an effort to differentiate from the recent empirical research on store choice, this paper takes the initial step to construct an analytical model in the Hotelling framework. By simplifying the consumer heterogeneity to two types, one more and one less time constrained, both with linear utility functional forms but different preferences and opportunity costs, I am able to develop and solve the problem in a duopoly setting. The result conforms to the idea that more assortment ≠ better. I demonstrate the equilibrium in a more obvious numerical form to show that, when consumer preferences of two stores are even slightly different, it is more profitable for a store to provide a lower assortment.
Introduction

Marketing academics and practitioners have long recognized the importance of store choice problem. There are many research publications stemmed with the intention to solve the puzzle or at least they contribute to the development of store choice literature in profound ways. And there are even more business articles that focus on the store choice at the business practice level.

Living in an era that information regarding consumers and their shopping instances becomes more available than ever before, researchers still have a long way toward the understanding of “Why do consumers shop at that store?” Most of the works in store choice have been at the aggregate level but many recent researches enjoy the renaissance of household panel data and therefore are able to extend it at disaggregate level.

Among the important publications, the ones such as Bell, Ho and Tang (1998, hereafter BHT) and Bell and Lattin (1998) are the commonly recognized papers. But their research did not take into account that the number of assortment also plays a role in consumers’ decision-making process. Also, the focus of these researches is mostly on pricing formats (HiLo and EDLP) and what the impact pricing strategy has on consumer store choice. Little work has been done to address the importance of the number of assortment and what it does to the profitability of a store.

How important? It is the matter that the author and many other researchers around the globe are trying to explore.

I shall use the recent strategic development of Wal-Mart Neighborhood Market stores as an example to show that the relationship between the number of assortment and shopping costs of consumers are being considered seriously in the business world.

Wal-Mart Neighborhood Market stores are designed to be the opposite of vastly larger superstores. These smaller stores are meant to "woo shoppers with easier parking, less crowded aisles and quicker checkout". Neighborhood Market stores offer a variety of products including a full-line of groceries, pharmaceuticals, health and beauty aids, photo developing services, and a limited selection of general merchandise. It competes directly with Target and Big Kmart. Generally located in markets with Wal-Mart Supercenters, they supplement Wal-Mart's strong food distribution network provide added convenience.

Wal-Mart Neighborhood Market stores are designed to be the opposite of vastly larger superstores. These smaller stores are meant to "woo shoppers with easier parking, less crowded aisles and quicker checkout". Neighborhood Market stores offer a variety of products including fresh produce, deli foods, fresh meat, dairy items, pharmaceuticals, health and beauty aids, photo developing services, and a small selection of general merchandise. Generally located in markets with Wal-Mart Supercenters, they supplement Wal-Mart's strong food distribution network and
First opened in 1998, Neighborhood Markets range from 42,000 to 55,000 square feet, which is a quarter of the size of a typical U.S Wal-Mart Supercenter. However in many countries stores of this scale would be classified as superstores or "compact hypermarkets". Neighborhood Markets employ 80-100 employees and offer about 29,000 items, only about 20% of the average 142,000 items carried in the Supercenters.

As of January 31, 2006, there were a total of 100 Neighborhood Markets in the United States, an 18% increase over the year before. In 2006, the concept will be rolled into Canada. The number of stores opening in 2006 is currently 3 stores (one in London, Ontario and 2 in the Greater Toronto Area) but the number could possibly increase by the end of the year.

The problem arises when some may ask that if a consumer has determined to shop at a specific store, then assortment should be a ‘sunk decision variable’, which means it is no longer being considered by consumers each time they shop. This might be true for some consumers who are, or have become, to be exact, very loyal to a specific store/chain. However, there are still many more households who split their weekly shopping lists into two or more sub-lists for a variety of reasons. The number of consumers in this segment, based on the author’s observation, is too large to be ignored. They make a tradeoff between convenience, price, and assortment. For small shopping trips—small baskets—the consumers may choose to visit to a nearby convenient store instead of a mega-store two miles away. This differs from BHT who also investigated the effect of retail price format on patronage across consumer segments. BHT observed that consumers incur lower variable costs—lower prices, but higher fixed costs—less convenience, at EDLP stores as compared to HiLo stores. The implied tradeoff, according to BHT, is between price and convenience. Consumers choose EDLP stores if their shopping lists exceed a household-specific threshold; they choose HiLo stores when they need to buy less.

Now I should present the findings from an IRI panel data. The dataset has all the basket information of 1,449 households in a large metropolitan area in New England region during a six month period. The basic statistics show that a little over 42% of the households visit more than one store on the same day (21.22%) or within one day (20.33%). For these consumers, the top five most common store combinations are Stop & Shop and Wal-Mart Supercenter, Stop & Shop and Shaw’s, Stop & Shop and CVS Pharmacy, Shaw’s and CVS Pharmacy, and Shaw’s & Wal-Mart Supercenter. This is listed in descending order of the frequency count. But there is no ordering within each pair since the exact transaction time is not available, which does not affect the research and the result. We can clearly see that consumers sometimes go to two stores that are similar in terms of price format and product assortment. Some of them visit a mega-store then a pharmacy as a fill-in trip. Whatever their choices are, the consumer would definitely have to make a decision on how to split the shopping lists into two or more and visit different stores accordingly to maximize the utilities from the shopping. The detailed data tables are in Appendix A.
Assortment is fundamentally different from price for stores as a strategic decision variable. When the retailers try to find the ideal location for a store, they have to consider the neighborhood competition. It will be a questionable decision to locate a mega grocery store in-between a Wal-Mart Supercenter and a Whole Food’s store. Whole Food’s stores are owned and operated by Whole Foods Market, Inc, headquartered in Austin, Texas. The chain has about 184 stores in 35 states in US and six cities in UK. It is a premium grocery chain with the logo “Selling the Highest Quality Natural and Organic Products Available”. Unlike either location or price, assortment is a long term decision variable but can also modified or adjusted to a more desirable level based on the consumer response or the store profit. So the uniqueness lies in the fact that any change on assortment cannot be mixed strategy equilibrium, but it is possible to reach a pure Nash equilibrium. To be more specific, once a store has been established, its location cannot be changed but assortment can be. But the assortment can hardly be modified overnight while prices can be.

This study contributes to the research of store choice in a way that I incorporate the number of assortment as a strategic decision variable along with store location and price in an analytical model. With the panel data on hand, the extended/full model (not accomplished in this research) should be able to be fitted and tested.
Literature

Long before store choice became the limelight, there has been a rich literature of choice modeling at large not only in management science but also in the areas such as civil engineering. It has laid the foundation of today’s choice modeling research. But it is not the focus of this research so its literature would not be explicitly reviewed in this paper.

Among the significant contributions, Lal and Rao (1997) show that Hi-Lo and EDLP are equilibrium retailer positioning strategies when consumers have heterogeneous transport costs. BHT suggest that consumers develop an “option value” from price variability of a store. And cost-minimizing consumers tend to shop more frequently and purchase in smaller quantities as price variability increases in the store. Hoch, Dreze and Purk (1994) report in their research that consumers’ response to the price change of a broad range of categories is inelastic, which implies that EDLP may not be an effective strategy for attracting new customers. Another important work by Bell and Lattin (1998) suggest that store choice is related to “basket attractiveness”. Consumers with higher expected basket size prefer EDLP stores and, lower basket size, Hi-Lo.

Shopping is time-consuming. As a result, the value of time is one of the critical factors influencing consumers’ choices of where to buy, how much to buy, which brand to choose and how much attention to pay to price. For example, Messinger and Narasimhan (1997) argue that time-constrained consumers would opt for stores with higher assortment of categories. Murthi and Srinivasan (1999) show that consumers who are more time constrained are likely to evaluate fewer brands.

Recent assortment research suggests that grocery store assortments can be profitably reduced. There are a number of studies that related assortment levels to category sales such as Dreze, Hoch and Purk (1994), Broniarczlk, Hoyer and McAlister (1998). On the other hand, Fox, Montgomery and Lodish (2004) calculated assortment elasticities for several retailers and found that product assortments positively affect on the probability of shoppers patronizing a grocery retailer.

The term More assortment ≠ better comes from the title of a review paper, Broniarczyk and Hoyer (2006) “Retail Assortment: More ≠ Better”, of the growing body of evidence that shoppers may prefer reduced grocery store assortments. The idea is alike to what I address in the introduction section. Assortment is different from price and location (convenience) in that lower prices and closer location (more convenience) are uniformly preferred. By this token, the affect of the number of assortment on store profits can be either positive or negative.

The reminder of the paper is organized as follows. The next section introduces the basic logic behind the research in the Hotelling linear city framework and is followed by the assumptions and the model setup. Then the model is solved analytically and numerical illustrations are presented. Last but not least, I discuss the results and limitations of the research, along with a general sketch of future steps in this research.
The Model

I use the Hotelling (1929) landmark linear city framework to establish the model.

The city

There are two stores located at each end of the normalized city. One could argue that in the real world the city is constructed on 2 dimensions and most stores would have to compete with others located virtually anywhere on the grid. I believe that the 2-dimensional world can be modeled in the linear city framework without losing generality. After all, what we are interested in most are the distances, played out by price, assortment and physical location, between the stores. So a convenient store located to the north should not be any different than the one to the south in the model. Each store has decision variables price $p_j$ ($j=1, 2$) and $b_i$ ($i=P, F$).

\[
\begin{array}{c}
\text{Store1} \\
\mid \\
\text{1} \quad \square \\
\mid \\
\text{Store2}
\end{array}
\]

Since store’s assortment is a long term decision variable, I could reasonably assume that stores should decide the number of assortment they wish to carry first. I also assume that the firms decision is binary, namely that they can only carry a full assortment or a partial assortment, at stage 1, then it becomes a pricing game at stage 2 where firms use the prices, given the assortment, to attract the desired consumers. Without the lost of generality, and to make the problem more tractable, we assume that full (F) and partial assortment (P) are the same across stores, respectively. Although in reality there are no two stores that carry the exact same number of assortments, allowing the number of assortments to vary across all stores will not give us any benefit/insight but rather unpleasant complexity.

Full assortment should, by assumption, be able to let any consumer to complete the shopping list and, partial assortment, would only allow short shopping lists to be finished in the store. For the purpose of the future application to the IRI panel data, stores carry full assortment are those such as Wal-Mart Supercenter, Super Target, Stop & Shop, etc., and partial assortment stores are those such as CVS, Walgreens, or other pharmacy or convenience stores.

I intentionally restrict consumer jumping/passing stores. Or, in other words I choose to ignore the effect. And the logic is that there would consumer pass a specific store but there would also be consumers pass other stores to patronize the same specific store, all based on the underlying assumption that consumers always maximize their utilities. The net effect of jumping should of minimal significance and will not change the results of this research.
The Consumers

a) Consumer types: More time-constrained (type H) and Less time-constrained (type L), with probabilities of \( \frac{1}{H} \) and \( \frac{1}{1-L} \), respectively.

b) Each consumer/household has a shopping list normalized to \( l_{hh} \sim U(0,1) \), \( hh \in [1, H] \)

c) Transportation cost per unit distance is assumed to be \( \langle H \rangle \) and \( \langle L \rangle \) for more and less time constrained consumers, respectively.

Expected basket cost and assortment at each store is assumed to be known by consumers from previous experience. Consumers should make a decision regarding the number of stores and which ones to visit to minimize the expected total cost of the shopping list. Or, equally, the consumers should maximize their utilities w.r.t. price, store breadth, cost of shopping, etc, with the store choice they make.

Since the cost of shopping, including the transportation to and from a store and the time spent at the store on browsing and checking out, is higher for more time-constrained consumers, it is very likely that they mostly have a full shopping list and try to finish it with as few shopping trips as possible.

As for the less time-constrained shoppers, they are less sensitive about the shopping related costs or, in other words, opportunity costs. Therefore, those consumers would have a short or partial shopping list on hands when stepping into the stores.

The utility functions of the consumers are in the traditional linear form:

Utilities of High Type Consumers

\[
\begin{align*}
\mathbf{u}_H &= v_1 \begin{pmatrix} H \end{pmatrix} p_1 l_{hh} + b_1 \begin{pmatrix} H \end{pmatrix} 1  \\
\mathbf{u}_L &= v_2 \begin{pmatrix} L \end{pmatrix} p_2 l_{hh} + b_2 \begin{pmatrix} L \end{pmatrix} 1 
\end{align*}
\]

Utilities of Low Type Consumers

\[
\begin{align*}
\mathbf{u}_H &= v_1 \begin{pmatrix} H \end{pmatrix} p_1 l_{hh} + b_1 \begin{pmatrix} L \end{pmatrix} 1  \\
\mathbf{u}_L &= v_2 \begin{pmatrix} L \end{pmatrix} p_2 l_{hh} + b_2 \begin{pmatrix} L \end{pmatrix} 1 
\end{align*}
\]

Note that the sign for the browsing cost for the two types of consumers are different based on the assumed different preference for assortment.

It is naturally to see that consumers must satisfy the participation constraints (PC) when they choose to patronize a store, which can be shown as:
I now solve the equations using the PC criteria and get the demand for store1 and store2

\[ u_{H1} \in u_{H2} \]
\[ u_{L1} \in u_{L2} \]

The Stores

For the stores, their profit maximization problems become:

\[
\text{Max} \quad \angle_1 = \bigcirc p_1 l_{hh} + \frac{1}{2} \big| \nabla l_{hh} |_H \\
\text{Max} \quad \angle_2 = \bigcirc p_2 l_{hh} + \frac{1}{2} \big| \nabla l_{hh} |_L
\]

The maximization problems are solved simultaneously in Maple 10 and the following are returned solutions for the prices and profits. To make the expression more traceable, I substitute \((\big| \nabla l_{hh} |_1, 2)\) with \(\big| \text{diff} l_{hh} |_1, 2\), which is the one and only variable I am interested in studying.
The solutions prove that there exists pure strategy equilibrium in the game. The stores have an optimal number of assortments to carry based on the backward induction of location and forward induction of prices. Although the game is not strictly illustrated in a multi-stage game-theoretic model, it can be seen as a game with locations, assortments and prices as three decision variables at each stage. The author is aware that this is only one way to model the retailing games. The logic behind this approach is that location, assortment and prices do not, comparatively, have the same attribute in terms of the timing in the decision process. They are listed in the order that the author believes they appear on the desk of corporate executives.

\[ p_1 := \frac{1}{3} \frac{1}{l_hh \left( \gamma \alpha_2 + \alpha_1 - \alpha_1 \gamma \right)} \left( \gamma \alpha_2 vdiff + 3 \alpha_1 \alpha_2 
+ \gamma \alpha_2 b_1 \lambda_H - \alpha_1 \gamma vdiff - \gamma \alpha_2 b_2 \lambda_H + \alpha_1 \gamma b_1 \lambda_L 
+ \alpha_1 vdiff - \alpha_1 \gamma b_2 \lambda_L - \alpha_1 b_1 \lambda_L + \alpha_1 b_2 \lambda_L \right) \]

\[ p_2 := \frac{1}{3} \frac{1}{l_hh \left( \gamma \alpha_2 + \alpha_1 - \alpha_1 \gamma \right)} \left( \gamma \alpha_2 vdiff - 3 \alpha_1 \alpha_2 
+ \gamma \alpha_2 b_1 \lambda_H - \alpha_1 \gamma vdiff - \gamma \alpha_2 b_2 \lambda_H + \alpha_1 \gamma b_1 \lambda_L 
+ \alpha_1 vdiff - \alpha_1 \gamma b_2 \lambda_L - \alpha_1 b_1 \lambda_L + \alpha_1 b_2 \lambda_L \right) \]

\[ \pi_1 := \frac{1}{18} \frac{1}{\alpha_2 \alpha_1 \left( -\gamma \alpha_2 - \alpha_1 + \alpha_1 \gamma \right)} \left( \left( -\gamma \alpha_2 vdiff - 3 \alpha_1 \alpha_2 
- \gamma \alpha_2 b_1 \lambda_H + \alpha_1 \gamma vdiff + \gamma \alpha_2 b_2 \lambda_H - \alpha_1 \gamma b_1 \lambda_L - \alpha_1 vdiff 
+ \alpha_1 \gamma b_2 \lambda_L + \alpha_1 b_1 \lambda_L - \alpha_1 b_2 \lambda_L \right)^2 \right) \]

\[ \pi_2 := \frac{1}{18} \frac{1}{\alpha_2 \alpha_1 \left( -\gamma \alpha_2 - \alpha_1 + \alpha_1 \gamma \right)} \left( \left( -\gamma \alpha_2 vdiff 
+ 3 \alpha_1 \alpha_2 - \gamma \alpha_2 b_1 \lambda_H + \alpha_1 \gamma vdiff 
+ \gamma \alpha_2 b_2 \lambda_H - \alpha_1 \gamma b_1 \lambda_L - \alpha_1 vdiff + \alpha_1 \gamma b_2 \lambda_L 
+ \alpha_1 b_1 \lambda_L - \alpha_1 b_2 \lambda_L \right)^2 \right) \]
Numerical Illustrations

Instead of presenting the very long and complex mathematical solutions of the optimal assortments obtained by solving the first order conditions of the maximized profits of the store with respect to the assortment, I show with simple numerical examples what the equilibrium are and the affect of consumer heterogeneity have on them.

Since I restrict the decision of the number of assortment to be binary, there should be four scenarios of the number of assortments between two stores and they are:

**Scenario1:** \( b_1 = 0, b_2 = 1 \)
**Scenario2:** \( b_1 = 0, b_2 = 0 \)
**Scenario3:** \( b_1 = 1, b_2 = 1 \)
**Scenario4:** \( b_1 = 1, b_2 = 0 \)

The detailed solutions are attached in Appendix B.

Again, the binary assortment is just a way to simplify the problem for illustration purposes. It does not represent the real business world but the equilibrium will not be any different if the assortment is a continuous variable. It can be easily, but takes much space, shown that the equilibrium assortments are corner solutions so whether the variable takes discrete or continuous form does not change the results in any way.

To be more specific, we can assign the value of ONE to mega stores such as Wal-Mart Supercenters and ZERO to stores such as On the Run. On the Run is the branded convenience store located at and owned/operated by Exxon Mobile. So the value of ONE really means that the store assortment can satisfy almost any all shopping lists. And by the same token, ZERO tells us that it is very rarely that a consumer can complete his/her shopping list at the store.

I start with the consumer utility functions for convenience.

<table>
<thead>
<tr>
<th>Utilities at Store1</th>
<th>Utilities at Store2</th>
</tr>
</thead>
<tbody>
<tr>
<td>( u_{H1} = v_1 p_{1h} + b_1 )</td>
<td>( u_{L1} = v_1 p_{1h} + b_1 )</td>
</tr>
<tr>
<td>( u_{H2} = v_2 p_{2h} + b_2 )</td>
<td>( u_{L2} = v_2 p_{2h} + b_2 )</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Store1</th>
<th>( b_1 = 0 )</th>
<th>( b_1 = 1 )</th>
<th>Store2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>446, 96</td>
<td>547, 146</td>
<td></td>
</tr>
<tr>
<td></td>
<td>356, 57</td>
<td>446, 96</td>
<td></td>
</tr>
</tbody>
</table>

The values of other parameters are: \( v_{diff} = 5, \gamma = 0.2, \zeta_1 = 5, \zeta_2 = 0.5, \omega^H = 10, \omega_L = 1 \).

The absolute value of the difference between the intrinsic preferences does not affect the
results and the value I take will not lead the losing of generality. The same logic applies to the all the other parameters as long as they satisfy the assumed relationships.

We see that $b_1 = 0$, $b_2 = 1$ is the pure Nash equilibrium. If a store is positioned to even have a slight edge over the competing store, then the optimal strategy is to limit the assortment. For the ‘disadvantaged’ store, in term of consumer store intrinsic preference, it is always better to keep a large number of SKUs and set the prices low. This exactly what we see happens between Wal-Mart Supercenters and Super Target stores.

If we need to test the assumption that consumers have different preference regarding the number of assortment, the browsing costs can be set to be the same for all consumers.

<table>
<thead>
<tr>
<th>Store1</th>
<th>$b_1 = 0$</th>
<th>$b_1 = 1$</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>446, 96</td>
<td>96, 446</td>
</tr>
<tr>
<td></td>
<td>2711, 1660</td>
<td>446, 96</td>
</tr>
</tbody>
</table>

The values of other parameters are: $v_{\text{diff}} = 5$, $\gamma = 0.2$, $\gamma_s = 5$, $\gamma_H = 0.5$, $L = 10$. In this case, if all consumers have the exact same cost of browsing through the two stores. It is not surprising to get the above equilibrium because, after all, the consumers prefer store1 than store2. I explicitly assume that the intrinsic preferences of stores are uniform and consistent. One may argue that even this should factor in the consumer heterogeneity. However, in the utility function this is a separate parameter and is independent of location, assortment and price. In other words, if there is a premium store, so to speak, and consumers have unlimited budget or zero opportunity cost then they should all prefer the store than any other stores.

Store1 will carry a huge number of assortments and charge a premium price. In this case most consumer love to shop at store1 not only because it is better but also it has a larger assortment that increases the consumer utilities. The best strategy for store2 is to also charge a high price for limited assortment and only attract the local consumers who would choose store2 due to convenience (closer to the household) for lower transportation costs.

**Conclusions**

This research is an initial step toward a structural modeling of consumer store choice. Few of the previous research suggest the importance of assortment in the store choice decision process, let alone developing an analytical model to study the effects of assortment. Consumer heterogeneity decides that different consumers incur different cost of shopping at a store, mainly by browsing through the shelves and waiting in line for checking out. Then it is naturally for consumers to optimize the utilities of the weekly shopping with respect to expected price, store location and the number of assortment the stores carry.
The latter two variables are fixed in consumers’ perspective so the consumers are able to split the shopping lists into two or more lists in order to minimize the total expenditure (maximize the total utilities).

The major finding of the research is a disadvantaged store, mostly in terms of product quality and services, in the Hotelling linear city, should have an optimal strategy which is to be a low price mega store. But if the consumers have preferences in the assortment or in-store shopping costs, then the disadvantaged store will be a market follower and store1 skims the market.

Besides the model is in the linear city framework, the research has other limitations. The competition only comes from one side which does not serve as a good example of the real world. The possibly better model could be two stores on each side and one in the middle. There are a number of different setups based on the store types and, for each type, the results are very complicated to present. Circular city model popular in the industrial organization literature should also be explored. Consumers are segmented into two types in the paper and it may not be the best distribution of heterogeneity.

The ultimate goal of the research is to test the hypothesis that assortment and the corresponding cost of shopping is a key decision variable for both consumers and the stores. Consumers take it into account when they perform the magic utility maximization calculation on their minds. It is the author’s intention to develop the model to a level where it can be tested with the IRI panel data available.
### Appendix A

Table 1 Time between Shopping Instances

<table>
<thead>
<tr>
<th>diff*</th>
<th>Day</th>
<th>COUNT</th>
<th>PERCENT</th>
<th>CUMULATIVE PERCENT</th>
<th>Avg Basket Expenditure</th>
<th>Avg Basket by diff</th>
<th>Avg Basket Size</th>
<th>Avg Size by diff</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>Saturday</td>
<td>2892</td>
<td>4.12%</td>
<td>4.12%</td>
<td>38.99059</td>
<td>11.43238</td>
<td>11.43238</td>
<td>10.99819</td>
</tr>
<tr>
<td>0</td>
<td>Sunday</td>
<td>2228</td>
<td>3.18%</td>
<td>7.30%</td>
<td>33.72764</td>
<td>10.487</td>
<td>11.44398</td>
<td></td>
</tr>
<tr>
<td>0</td>
<td>Friday</td>
<td>2100</td>
<td>2.99%</td>
<td>10.29%</td>
<td>40.1142</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0</td>
<td>Monday</td>
<td>2000</td>
<td>2.85%</td>
<td>13.15%</td>
<td>41.68476</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0</td>
<td>Tuesday</td>
<td>1944</td>
<td>2.77%</td>
<td>15.92%</td>
<td>34.37028</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0</td>
<td>Wednesday</td>
<td>1881</td>
<td>2.68%</td>
<td>18.60%</td>
<td>33.83854</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0</td>
<td>Thursday</td>
<td>1838</td>
<td>2.62%</td>
<td>21.22%</td>
<td>34.95428</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Sunday</td>
<td>2282</td>
<td>3.25%</td>
<td>3.25%</td>
<td>33.93677</td>
<td>9.646372</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Saturday</td>
<td>2188</td>
<td>3.12%</td>
<td>6.37%</td>
<td>35.3295</td>
<td>9.74902</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Tuesday</td>
<td>2147</td>
<td>3.06%</td>
<td>9.43%</td>
<td>38.32569</td>
<td>10.32633</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Wednesday</td>
<td>2027</td>
<td>2.89%</td>
<td>12.32%</td>
<td>39.86348</td>
<td>11.09641</td>
<td></td>
<td>9.886933</td>
</tr>
<tr>
<td>1</td>
<td>Friday</td>
<td>1971</td>
<td>2.81%</td>
<td>15.13%</td>
<td>32.29138</td>
<td>9.287022</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Thursday</td>
<td>1857</td>
<td>2.65%</td>
<td>17.78%</td>
<td>33.20585</td>
<td>9.436889</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Monday</td>
<td>1785</td>
<td>2.55%</td>
<td>20.33%</td>
<td>31.91287</td>
<td>9.432659</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*diff* is the number of days between two adjacent shopping instances of each household.
Table 2 Where do people go to for 2nd basket

*diff* must be 0 or 1 to be considered a 2nd basket

<table>
<thead>
<tr>
<th></th>
<th>Chain1</th>
<th>Chain2</th>
<th>CT</th>
<th>PERCENT</th>
<th>CUMULATIVE PERCENTAGE</th>
<th>Chain1 Avg Dollar</th>
<th>Chain1 Avg Units</th>
<th>Chain2 Avg Dollar</th>
<th>Chain2 Avg Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>STOP &amp; SHO</td>
<td>WAL*MART T</td>
<td>677</td>
<td>4.548814083</td>
<td>4.548814083</td>
<td>56.46</td>
<td>20.21</td>
<td>43.91</td>
<td>6.66</td>
</tr>
<tr>
<td>2</td>
<td>SHAWS</td>
<td>STOP &amp; SHO</td>
<td>661</td>
<td>4.441308876</td>
<td>8.990122959</td>
<td>39.69</td>
<td>15.77</td>
<td>36.88</td>
<td>13.38</td>
</tr>
<tr>
<td>4</td>
<td>CVS PHARM</td>
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Chain1 and Chain2 do not represent the order they are patronized. The exact transaction time is not available in the data set.
Appendix B

Scenario 1: $b_1 = 0$, $b_2 = 1$

\[ p_1 := \frac{1}{3} \frac{1}{l_{hh} \left( \gamma \alpha_2 + \alpha_1 \gamma \right)} \left( \gamma \alpha_2 \text{vdiff} + 3 \alpha_1 \alpha_2 - \alpha_1 \gamma \text{vdiff} + \alpha_1 \gamma \lambda_H - \alpha_1 \gamma \lambda_L + \alpha_1 \lambda_L \right) \]

\[ \pi_1 := \frac{1}{18} \frac{1}{\alpha_2 \alpha_1 \left( -\gamma \alpha_2 - \alpha_1 + \alpha_1 \gamma \right)} \left( \left( -\gamma \alpha_2 \text{vdiff} - 3 \alpha_1 \alpha_2 + \alpha_1 \gamma \text{vdiff} + \alpha_1 \gamma \lambda_H - \alpha_1 \gamma \lambda_L + \alpha_1 \lambda_L \right)^2 \right) \]

\[ p_2 := \frac{1}{3} \frac{1}{l_{hh} \left( \gamma \alpha_2 + \alpha_1 \gamma \right)} \left( \gamma \alpha_2 \text{vdiff} - 3 \alpha_1 \alpha_2 - \alpha_1 \gamma \text{vdiff} \right) \]

\[ -\gamma \alpha_2 \lambda_H + \alpha_1 \gamma \lambda_L + \alpha_1 \lambda_L \]

\[ \pi_2 := \frac{1}{18} \frac{1}{\alpha_2 \alpha_1 \left( -\gamma \alpha_2 - \alpha_1 + \alpha_1 \gamma \right)} \left( \left( -\gamma \alpha_2 \text{vdiff} + 3 \alpha_1 \alpha_2 + \alpha_1 \gamma \text{vdiff} + \alpha_1 \gamma \lambda_H - \alpha_1 \gamma \lambda_L + \alpha_1 \lambda_L \right)^2 \right) \]

Scenario 2: $b_1 = 0$, $b_2 = 0$

\[ p_1 := \frac{1}{3} \frac{\gamma \alpha_2 \text{vdiff} + 3 \alpha_1 \alpha_2 - \alpha_1 \gamma \text{vdiff} + \alpha_1 \gamma \lambda_H - \alpha_1 \gamma \lambda_L + \alpha_1 \lambda_L}{l_{hh} \left( \gamma \alpha_2 + \alpha_1 \gamma \right)} \]

\[ \pi_1 := \frac{1}{18} \frac{\left( -\gamma \alpha_2 \text{vdiff} - 3 \alpha_1 \alpha_2 + \alpha_1 \gamma \text{vdiff} - \alpha_1 \gamma \lambda_L \right)^2}{\alpha_1 \alpha_2 \left( -\gamma \alpha_2 - \alpha_1 + \alpha_1 \gamma \right)} \]

\[ p_2 := \frac{1}{3} \frac{\gamma \alpha_2 \text{vdiff} - 3 \alpha_1 \alpha_2 - \alpha_1 \gamma \text{vdiff} + \alpha_1 \gamma \lambda_L}{l_{hh} \left( \gamma \alpha_2 + \alpha_1 \gamma \right)} \]

\[ \pi_2 := \frac{1}{18} \frac{\left( -\gamma \alpha_2 \text{vdiff} + 3 \alpha_1 \alpha_2 + \alpha_1 \gamma \text{vdiff} - \alpha_1 \gamma \lambda_L \right)^2}{\alpha_2 \alpha_1 \left( -\gamma \alpha_2 - \alpha_1 + \alpha_1 \gamma \right)} \]
Scenario 3: $b_1 = 1$, $b_2 = 1$

$$p_1 := \frac{1}{3} \frac{\gamma \alpha_2 \text{vdiff} + 3 \alpha_1 \alpha_2 - \alpha_1 \gamma \lambda_L + \alpha_1 \text{vdiff} - \alpha_1 \gamma \lambda_L}{l_{hh} (\gamma \alpha_2 + \alpha_1 - \alpha_1 \gamma)}$$

$$\pi_1 := \frac{1}{18} \frac{(-\gamma \alpha_2 \text{vdiff} - 3 \alpha_1 \alpha_2 + \alpha_1 \gamma \text{vdiff} - \alpha_1 \text{vdiff})^2}{\alpha_1 \alpha_2 (-\gamma \alpha_2 - \alpha_1 + \alpha_1 \gamma)}$$

$$p_2 := \frac{1}{3} \frac{\gamma \alpha_2 \text{vdiff} - 3 \alpha_1 \alpha_2 - \alpha_1 \gamma \text{vdiff} + \alpha_1 \text{vdiff}}{l_{hh} (\gamma \alpha_2 + \alpha_1 - \alpha_1 \gamma)}$$

$$\pi_2 := \frac{1}{18} \frac{(-\gamma \alpha_2 \text{vdiff} + 3 \alpha_1 \alpha_2 + \alpha_1 \gamma \text{vdiff} - \alpha_1 \text{vdiff})^2}{\alpha_2 \alpha_1 (-\gamma \alpha_2 - \alpha_1 + \alpha_1 \gamma)}$$

Scenario 4: $b_1 = 1$, $b_2 = 0$

$$p_1 := \frac{1}{3} \frac{1}{l_{hh} (\gamma \alpha_2 + \alpha_1 - \alpha_1 \gamma)} (\gamma \alpha_2 \text{vdiff} + 3 \alpha_1 \alpha_2 + \gamma \alpha_2 \lambda_H - \alpha_1 \gamma \text{vdiff} + \alpha_1 \gamma \lambda_L + \alpha_1 \text{vdiff} - \alpha_1 \lambda_L)$$

$$\pi_1 := \frac{1}{18} \frac{1}{\alpha_1 \alpha_2 (-\gamma \alpha_2 - \alpha_1 + \alpha_1 \gamma)} ((-\gamma \alpha_2 \text{vdiff} - 3 \alpha_1 \alpha_2 - \gamma \alpha_2 \lambda_H + \alpha_1 \gamma \lambda_L - \alpha_1 \text{vdiff} + \alpha_1 \lambda_L)^2)$$

$$p_2 := \frac{1}{3} \frac{1}{l_{hh} (\gamma \alpha_2 + \alpha_1 - \alpha_1 \gamma)} (\gamma \alpha_2 \text{vdiff} - 3 \alpha_1 \alpha_2 + \gamma \alpha_2 \lambda_H - \alpha_1 \gamma \text{vdiff} + \alpha_1 \gamma \lambda_L + \alpha_1 \text{vdiff} - \alpha_1 \lambda_L)$$

$$\pi_2 := \frac{1}{18} \frac{1}{\alpha_2 \alpha_1 (-\gamma \alpha_2 - \alpha_1 + \alpha_1 \gamma)} ((-\gamma \alpha_2 \text{vdiff} + 3 \alpha_1 \alpha_2 - \gamma \alpha_2 \lambda_H + \alpha_1 \gamma \lambda_L - \alpha_1 \text{vdiff} + \alpha_1 \lambda_L)^2)$$
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THEORETICAL FRAMEWORK OF GROUP DECISION MAKING USED TO IDENTIFY ALLEVIATION STRATEGIES OF GROUPTHINK

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Organizations today emphasize group decision making among workers moreso than ever. Unfortunately, some organizations have found out that this management technique has not suited their organization as intended. The formation of groups is such commonplace among modern organizations that individuals associated with the group sometimes forget they are dealing with or within a group. In understanding the modern management theory of groupthink, the paper looks into the theoretical development of the group emphasis theories of many theorists, and the concept of groupthink by Irving Janis (1972).

The framework integrates groupthink alleviation strategies of Janis with modern managerial strategies. It is clear that an individual cannot escape working in a group, so what can modern managers do to alleviate or even eliminate the groupthink theory in their organizations? The framework can be useful in identifying potential techniques to alleviate or eliminate the groupthink concept in organizations. Moreover, the introduction of the integrated theoretical framework discussed in the paper will help organizations assess their susceptibility of conforming to groupthink, and more importantly offer a theoretical model to alleviate groupthink in their organization.

Keywords: groupthink, organization, group, cohesiveness, dynamics

Current organizations display many types of management styles in order to properly control their resources. Unfortunately, some organizations have found out that certain management techniques are not suitable for the organization. This paper examines the current management theory of emphasizing groups within organizations, and the theory of groups leading to groupthink. According to Irving Janis, “Groupthink refers to a deterioration of mental efficiency, reality testing, and moral judgment that results from in-group pressures” (1972, p. 9).

In understanding the modern management theory of groupthink, the paper also looks into the historical development of the group emphasis. One of the earlier theorists to stress the importance of groups was Mary Parker Follett (198), in her book, *The New State: Group Organization the Solution to Popular Government*. Other management theorists to also highlight groups within the organization were Elton Mayo and Douglas McGregor.
While Irving Janis was one of the first theorists to use the term “groupthink”, he is not the first theorist to research the power of group cohesiveness in decision making. In his book, Janis also gives credit to a few earlier social psychologists, Charles Cooley, George Mead, Kurt Lewin and Wilfred Bion (1972). This paper will also look into the history of their early work to better understand Janis’s groupthink theory. Although Janis does not completely dismiss the relevance of groups, he does propose the concept of groupthink which transpires through group interaction.

In conclusion, this paper specifically explores Janis’s instruction to avoid groupthink, while also integrating modern management techniques. According to Forsyth, “A group is two or more individuals who are connected by and within social organizations” (2010, p. 3). It is clear that an individual cannot escape working in a group, so what can modern managers do to alleviate or even eliminate the groupthink theory? In closing, the paper will explore potential techniques for managers to implement in order to avoid groupthink – including techniques that go beyond Janis’s recommendations.

Historical Group Theory

The formation of groups is such commonplace among modern organizations that individuals associated with the group sometimes forget they are dealing with or within a group. As stated in the previous paragraph, a group only needs to consist of two or more individuals to become a group (Forsyth, 2010). While modern managers may or may not be emphasizing formal group formation any more than they did in the past, certain characteristics of organizations can lead to group formations. Some theorists, such as Mary Parker Follett, Elton Mayo, and Douglas McGregor believed in the importance of group development from a management perspective.

Mary Parker Follett on Group Theory

Follett’s The New State (1918), focuses primarily on the government system within the United States when explaining her group principles. Although focusing mainly on the government system, many of her concepts still relate to general group formation in other types of organizations. In some of Follett’s other readings she also gives hindsight to problems that Janis also states as leading to groupthink.

“The power of the individual is his power to live a vital group life. The more your society is diversified in group life, the higher the stage of civilization” (Follett, 1918, p. 321). The preceding quote from Follett’s book shows the reader how much ability Follett saw in groups. Although she does give credit to the power of groups, she also mentions that groups will not get their full value unless every individual is given full value and is giving full value (Follett, 1918). She also emphasizes creative experience as an individual’s opportunity for power through involvement in groups (Follett, 1924).

Just as Janis believes certain group characteristics lead to groupthink, Follett also believes certain characteristics must take place within the group in order for it to benefit. “To a genuine group idea every man must contribute what is in him to contribute” (Follett, 1918, p. 28). In Janis’s (1972) book Victims of Groupthink, he mentions that groupthink is more likely to occur when a leader of the group is more active in promoting his own preferred solution. Thus is the case even if the leader wants others to give their own input and resist conforming to the group leader.

There is a direct comparison between Follett and Janis’s work. Follett stresses the importance of each individual to contribute to the group (Follett, 1924), and Janis’s comments that there are higher levels of groupthink among groups that conform to the norm of a leader without personal input (Janis, 1972). According to these theorists, if everyone contributes to the
group or is willing to give their true personal input, the group process works and groupthink may be less likely to happen.

Mayo and McGregor on Group Theory

Mayo’s history offers specific examples of group theory which stem from his work at the Western Electric Company with the Hawthorne studies. Douglas McGregor is known for emphasizing small groups in the workplace and the classroom. While Follett’s writing stresses the importance of individual contributions in order for the group process to work, Mayo’s work with the Hawthorne studies displays that group dynamics continually happens whether employees and employers realize it or not (Mayo, 1945). Both Follett and Mayo were leaders in seeking human relations management in organizations. However, Elton Mayo’s work was more descriptive since he studied what was actually going on in the Hawthorne studies, while Follett’s work was prescriptive in that she was discussing what she felt ought to be happening in organizations.

In Mayo’s Lowell lectures, delivered at Harvard in 1932, he discussed the importance of a cohesive work environment (Smith, 1974). Under the Hawthorne studies in the Relay Test Assembly Room, he felt that a cohesive work environment would increase psychological adjustment and performance. However, Mayo also stressed another example in the Bank Wiring Room Study in which informal group cohesiveness produced output negatively (Smith, 1974). Again, just as Janis believes groupthink to be more prevalent with a strongly cohesive group, Mayo also believed group cohesiveness could have a negative outcome.

Douglas McGregor has been cited as an advocate for the creation of internally cohesive small groups. Although McGregor did not pledge that group cohesiveness may be the result of organizational success, he did state that it is a major cause of such successes (Ouchi & Price, 1978). Another idea that McGregor advocated, is that of T-groups. McGregor promoted the concept of acquiring skills of social interaction through small groups (McGregor, 1957). However, it was actually Kurt Lewin, mentioned in greater detail later, who pioneered the term and idea of T-groups.

The Impact of Past Theorists on the Development of Janis’s Groupthink Theory

Throughout his book, Irving Janis, gives credit to other individuals that helped pave the way for his research on groupthink. He admits that his work is an extension of the work of pioneering social scientists such as Charles Horton Cooley and George Herbert Mead (Janis, 1972). This section of the paper also discusses the study of group dynamics by Kurt Lewin, who had a great influence on Irving Janis. Lastly, another theorist to have an effect on Janis’s theory is Wilfred Bion. As an eminent group therapist, Bion studied the potentially detrimental effects of group cohesiveness (Janis, 1972). The following accounts of each theorist’s impact on Janis gives the reader a better understanding of the history behind Janis’s theory of “groupthink”.

Group Theories of Charles Cooley Versus George Mead

Janis gives recognition to two early twentieth century leading sociologists, Cooley and Mead. Janis says he was merely extending the development of their concepts that face-to-face groups have the power to set norms that influence members (Janis, 1972). In mentioning Cooley and Mead, it is important to maintain the fact that although these theorists agreed on some aspects, they also had somewhat different ideas when it came to the relationship between the individual and the group. Even with differences between Cooley and Mead, Janis was able to draw insight from both sociologists in his work on groupthink.

It was Cooley’s belief that individuals had a responsibility of exhibiting “right” behavior in a group. Right behavior according to Cooley included loyalty to the group, kindness to group
members, and adherence to the group customs (Cooley, 1909). Janis’s groupthink theory agrees that these responsibilities are a cause of increased groupthink among members of a particular group. The more loyal the group members, the more cohesive the group, the more likely groupthink occurs (Janis, 1972). “That loyalty requires each member to avoid raising controversial issues, questioning weak arguments, or calling a halt to softheaded thinking” (Janis, 1972, p. 12).

Unlike George Mead, Cooley believed society was an organism separate from the individuals that make it up (Mead, 1930). However, according to Mead, an individual’s social self was binary in nature rather single in nature. “When we can and do respond to ourselves as we have responded to others, we become another to ourselves” (Smith, 1931, p. 377-378). Some of Mead’s strongest influences on Janis’s groupthink come from his belief in the group cohesiveness to cause power of aggressive behavior not possessed by kind individuals. “The very strength of the devotion to the one community – one social group or one nation – may make it impossible to extend sympathy to members of other groups” (Smith, 1931, p. 376).

Again, although Mead and Cooley had different ideas about the relationship between the individual and group, Janis was able to form ideas from each philosopher and use them towards his theory of groupthink. The groupthink theory is opposite of some of Mead’s concepts, but Janis was still able to use them to grow his own theory on groupthink. In referring back to Follett, the best solutions can arise from group conflict because the integration involves invention (Wren & Bedeian, 2009).

Kurt Lewin and Group Dynamics

Kurt Lewin was of particular interest and influence to Irving Janis. A social psychologist, Lewin called attention to prerequisites for effective group decision and was most interested in the positive effects of group cohesiveness (Janis, 1972). Although Lewin’s theories are based around positive effects of group cohesiveness, Janis’s groupthink is just the opposite in focusing on the negative effects. Lewin uses specific examples of dilemmas faced by executive committees when examining the lack of objective standards for evaluating goal achievements as a detriment on the effectiveness of groups. There is a parallel in the fact that Janis also applies specific examples (i.e., Bay of Pigs and Cuban Missile Crisis) in explaining the damaging effects of groupthink.

In Kurt Lewin’s paper (1944) he explains:
“Experiments have shown, however, in a precise manner that what is usually called the character and the abilities of the individual, his ideals, his goals, his motivation and values, his perception and his productivity, his friendliness and objectivity, his tendencies to domination and submission, that all these properties can be changed to a large extent by changing the social atmosphere or the group belonging of this individual. This holds for the follower as well as for the leader” (p. 394).

In the above excerpt above, Lewin is shedding light on the fact that leaders can also be swayed to change their character from persuasion of the group. If the group has changed their rationale on a certain agenda, the leader may feel he needs to also follow suit or risk losing leadership status. In Janis’s book (1972), he gives an example of this type of scenario happening with President Truman and his advisory group. In the face of the Korean War, Truman was in favor of an offer given from China of thirty-three thousand Chinese Nationalist ground troops. (Janis, 1972) However, after his key advisors did not share his same view, he accepted their
position and declined China’s offer. (Janis, 1972) President Truman did not directly agree with the decision, but he let groupthink get in the way.

Kurt Lewin’s work offers much insight on the theory of group dynamics. Lewin’s studies in the 1940s of group dynamics analyzed small groups and the importance of group cohesiveness which also aided in the origin of the groupthink theory (Janis, 1972). It fostered Irving Janis’s theory of groupthink by detailing some of the relationships between the individual and the group, as well as how different roles of each individual within a group react to each other.

Wilfred Bion and Group Cohesiveness

Wilfred Bion’s work on group cohesiveness emphasizes the potentially detrimental effects of group cohesiveness on the outcome of the group’s overall goals (Bion, 1961). Similarly, in each of the group scenarios that Janis studies, the group had a couple of characteristics in common – 1) the groups were cohesive and 2) the group’s decision making was extremely defective. (Janis, 1972) It is no wonder Bion and Janis’s work depicts commonly shared assumptions on some of the norms portrayed during groupthink.

In Bion’s view of the relationship between an individual and the group, he believed that individuals wish to contribute to the group, but they wish to do so anonymously. However, if the group structure allows the members to contribute anonymously, it allows the members the denial of personal responsibility (Brown & Ellithorp, 1970). “The group mentality is the pool into which these anonymous contributions are made and through which desires and impulses implicit in these contributions are gratified” (Brown & Ellithorp, 1970, p. 350). Bion’s theory of group mentality and the view that members wish to contribute to the group unanimously, coincide with one of Janis’s symptoms of groupthink.

Janis organized the symptoms of groupthink into three different categories – 1) overestimation of the group, 2) closed-mindedness, and 3) pressures toward uniformity (Forsyth, 2010). The third symptom of groupthink counterparts the group mentality theory of Bion, but it also differs. Although it may not seem similar, it makes better sense by taking a closer examination of Janis’s concept of the pressures toward uniformity. In the pressures towards uniformity, the members of the group are not contributing opinions to the group unanimously, but they may not be contributing personal opinions at all. Because of the pressures to conform to the group, members may not be willing to share opinions that are in disagreement to the majority. By the creation of pressures towards uniformity in the group members, it is similar to the group contributing unanimously because no one person has accepted the responsibility if the group decision is damaging to the overall goal.

Groupthink Theory in Organizations

While it is important to analyze the past theories of groups as well as group dynamics in order to better understand the development of Janis’s groupthink, this section of the paper will focus more precisely on the groupthink theory. In Janis’s 1972 book, Victms of Groupthink, he provides detailed examples of groupthink resulting in disaster. Here, the paper will outline the groupthink theory in more detail, as well as provide a specific example of a group studied by Janis that was infected with groupthink.

Elements of Groupthink

Janis’s fascination with the fact that qualified individuals working together failed to make the best decision led him to pursue further studies of such groups. Studying such groups and their errors in judgment led him to conclude that these groups suffered from groupthink (Forsyth, 2010). Janis’s studies led him to determine that groups of groupthink displayed the three
symptoms which were mentioned earlier: overestimation of the group, closed-mindedness, and pressures toward uniformity (Forsyth, 2010). This section will explain the conditions that lead to these symptoms as well as how the symptoms lead to the defective decision making of groupthink.

Janis clearly states what he calls the three symptoms that lead to groupthink, but what are some of the conditions that lead to these symptoms? Conditions include the fact that the decision makers of the group constitute a cohesive group, there are structural faults within the group, and provoking situational framework for the group to deal with (Forsyth, 2010). In cohesive groups there is a “concurrence-seeking tendency, which fosters over-optimism, lack of vigilance, and a sloganistic thinking about the weakness and immorality of outgroups” (Janis, 1972, p. 13). Sometimes structural faults and group cohesive can be concurrent when a group leader is authoritarian (Janis, 1972) and the group consensus is thereby shaped by this leader.

In his determination whether or not a group had structural fault that led them to groupthink, Janis used comparative studies. He felt these studies provided dependable evidence in which to base his theory of structural faults leading to the symptoms of groupthink. Not only did the comparative studies allow Janis to determine the structure of the group that was more apt to groupthink, but he also believed this to be an opportunity to determine the type of individuals and their reactions to other within the groups to determine the combinations of people most vulnerable to groupthink.

Lastly, what type of provoking situation framework could lead to symptoms of groupthink? When a person is stressed they tend to deal with situations differently than normal. The same is true for an entire group performing under stress. While not all groups performing under stress display groupthink tendencies, it is a factor that can lead to the symptoms (Forsyth, 2010). Often times when a group is facing a crisis, it is determined that the group needs to increase their lines of communication as well as have structured meetings more often. While this has been known to increase the likelihood of a group succeeding in their mission, it can also lead to the groupthink symptoms by increasing group cohesiveness (Janis, 1972). Anytime a group is under stress because of a time constraint it can also lead the group to become overworked, tired and fatigued. In a result they may become more cohesive because they are willing to satisfice. “A course of action that will satisfy the most minimal goals instead of seeking for the action with the best consequence (this is known as the satisficing strategy)” (Janis, 1972, p.7).

Throughout the next section, the paper will focus on specific examples of a well-known group that Janis determined displayed groupthink. In his studies he focused on the group dynamics, group norms, and cohesiveness of the group and its members in determining whether or not the group had committed groupthink. The studies of this group also helped him establish the characteristics and symptoms of groupthink.

The Detrimental Effects of Groupthink

In reviewing the following example, it is important to state that the individuals of the groups studied by Janis (1972) all consisted of individuals of very responsible stature before displaying groupthink. One of the most notorious examples analyzed by Janis was the Kennedy administration’s Bay of Pigs decision.

The Bay of Pigs fiasco.

Much of Janis’s study of groupthink was focused around the Kennedy administration’s Bay of Pigs decision. “The group that made the basic decision to approve the invasion plan included some of the most intelligent men ever to participate in the councils of government” (Janis, 1972, p.14). Because the members of the Kennedy Administration involved in the
decision making were a very homogenous group, they were more susceptible to cohesiveness. Unfortunately, this cohesiveness led to them to become more isolated from outside opinions and fixated on the fact that their decisions must be right (Surowiecki, 2004). This type of group shared a characteristic of the symptoms of groupthink called the illusion of invulnerability (Janis, 1972), in which they didn’t believe they were vulnerable to dangers from risky actions.

Another illusion displayed by the group was unanimity. “When a group of people who respect each other’s opinions arrive at a unanimous view, each member is likely to feel that the belief must be true” (Janis, 1972, p.38). In the case of the Bay of Pigs, when the group was dealing with the Cuban invasion plan, there was literally no opposition from within the group members. The reason for no opposition from within the group also came from the fact that individual personal doubts were suppressed. If a member of the group feels as though the rest of the members are confident about a choice, the person with opposition is less likely to raise objections.

Modern Organizations and the Continuation of Groupthink

Management cannot clear organizations of groups completely, but should they lessen the emphasis on group work? Or can management continue with the same level of group work, but find ways to alleviate the pressures to conform to groupthink. The following section of the paper will concentrate on answering these questions, and determining if groupthink will continue to be a problem.

The Reduction of the Emphasis on Groups

Individuals having done work with any modern organization can conceivably attest to the fact that work groups are increasingly widespread. Although work groups are progressively widespread, are the work groups more productive than individuals? Specifically, if the organization reduces the work of groups, can individuals do the work themselves?

There are different theories for actual losses of productivity from individuals working in groups. A few of the theorists on the loss of productivity from groups are Ivan Steiner, Max Ringelmann, and the collaboration of Bibb Latané, Kipling Williams, and Stephen Larkin. According to Forsyth (2010), although Steiner recognized groups had potential, he also realized that groups rarely reach their full potential because of interactive processes which reduce the groups’ overall proficiency. The theory of the Ringelmann effect is that if a person is working on the same task in a group setting as they would be in an individual setting, they are less apt put forth as much effort as they would individually (Ellemers, Gilder, & Haslam, 2004). Lastly, The Ringelmann effect agrees with the social loafing studies conducted by Latané, Williams, and Larkin. In general, their studies of social loafing suggested that even if work groups do not lose any productivity due to faulty coordination, they will still lose productivity because of social loafing (Forsyth, 2010).

In considering the previous paragraph, there are some certain theories outlining the cause against group productivity. However, these studies are not concluding that they group is actually producing less than an individual might, but only that they (the groups) are not performing to their full potential. So, it might be better to conclude that some groups are less efficient with their resources than they would be individually, but that groups may still in fact be more productive than an individual. “When individuals combine their talents and energies in groups, the accomplish goals that would overwhelm individuals” (Forsyth, 2010. p. 281). It is reasonable to conclude that most modern organizations cannot reduce their emphasis on groups.

Alleviating Pressures to Conform to Groupthink
While the theory of groupthink may never be entirely gone, it can be lessened by some of the advice offered by Janis. Finding ways to increase group performance can also aid in minimizing groupthink (Forsyth, 2010). The next couple of paragraphs will offer an analysis on how management can help decrease the odds that their employees will present the symptoms of groupthink while performing in group settings.

In Janis’s book *The Victims of Groupthink* (1972), he offers three suggestions that he believes will prevent groupthink. The first suggestion is that the leader needs to assign each member the role of being a critical evaluator. However, Janis states that this will not work if the leader cannot also take criticism. Secondly, when a leader proposed a problem to the group, he should remain unbiased until the group had formed their impression of the mission. Lastly, Janis’s (1972) final recommendation to prevent groupthink is for administration to set up several different evaluation groups for the same problem, and for each group to be constructed under a different leader.

The next example is one that theorists believe can push groups to their deepest levels of creativity. When groups are able to push creativity among the individuals of the group, the group can positively diversify themselves enough to not allow group cohesiveness to restrict their thought processes (Forstyth, 1972). One example of allowing creativity to enter the group is through the process of brainstorming (Janis, 1972), which allows members to express their ideas without immediate evaluation and also gives others the chance to directly build upon others ideas.

The second example is of effective group performance decreasing the odds of groupthink among an organization from diversifying the top management group. One theory states that an organization can aim for effective group performance through the creative management process (Hurst, Rush, & White, 1989). This theory claims that there should be four different types of management recognized in the top management group in order for the effective performance throughout the entire organization.

“The composition, or form of the top management group needs to be related to its function” (Hurst, Rush, & White, 1989, p. 88). This viewpoint is expressing the importance of both the people and the process to the effective performance of an organization. According to the groupthink theory, strong group cohesiveness can lead a group to present the symptoms of groupthink. From a prescriptive standpoint, the theory of the creative management process by Hurst, Rush, and White (1989) explains that top management needs the following types of people – intuitives, feelers, thinkers, and sensors – working together in the management group in order for top performance to take place. With different managerial characteristics in the management group, the concept is that power would shift according to the situation at hand (Hurst, Rush, & White, 1989).

It is imperative for modern organizations to find ways to alleviate, and possibly rid organization of groupthink. It is apparent that organizations cannot afford to decrease their emphasis on groups, so the solutions mentioned can provide some assistance in diminishing groupthink within the organizations. However, these solutions are not without side effects. Just as certain medicines produce side effects, some of these solutions also produce side effects of their own. The following section will look into the issues created by some of the remedies of groupthink.

**Side Effects of Groupthink Remedies**

The following few paragraphs examine some of the disadvantages of the groupthink remedies offered in the previous section. In examining Janis’s examples of groupthink
prevention, he offers a few of his own disadvantages. When offering the role of critical examiner to each member of the group, it can be costly if there is a critical issue that needs immediate attention (Janis, 1972) because critical examinations can lead to prolonged debates among group members. The second recommendation for the group leader to remain unbiased when presenting the issue can lead the leader to potentially lose power to steer the group (Janis, 1972), and depending on the leader, can result in a power struggle. Lastly, in Janis’s suggestion for administration to set up several different evaluation groups for the same problem may cause problems if too many people get involved, it increases the risk for a security leak.

Authors Sutton and Hargadon (1996) discuss productivity loss that results when groups perform face-to-face brainstorming. “Members of face-to-face brainstorming groups tended to match their productivity to members who generated the fewest ideas, resulting in lower productivity than nominal groups” (Sutton & Hargadon, 1996, p. 686). Their study suggests that groups should actually use “electronic brainstorming” (Sutton & Hargadon, 1996), in which group members type their ideas into a computer system while still allowed to see the ideas also generated by others. It is very similar to the original brainstorming concept, but it rids the group of the block that happens while group members are waiting for others to state their idea(s).

Lastly, the theory emphasizing the creative management process through four different characteristics of managers in the management group (Hurst, Rush, & White, 1989), also involves areas of concern. Hurst et al. admit that the combination of different characteristics of management will not be enough to transform the organizational effectiveness. While it is imperative for the management group to have diversity, the organization needs to find ways to transcend the diversity. Specifically examining what types of people are interacting with each other and how they interact in order to be most efficient (Hurst, Rush, & White, 1989).

In Conclusion: The Future of Groupthink

The groupthink theory evolves from the formation of groups, and in the case of this paper, groups within organizations. As it has been discussed, groups are a common piece in modern organizations, so it does not make sense to completely rid an organization of their groups in order to rid them of groupthink. However, it may help organizations to be as concerned with their human capital as they are with their physical capital. This may benefit organizations because they will better understand if they are susceptible to the groupthink theory.

The impression of group dynamics is that all members of the group have an influential role within the group. Even though certain members of a group have stronger social identification towards the group and some members of a group may have a stronger influence on others, each group member makes up the substance of the group (Forsyth, 2010). In helping their employees prevent groupthink, it will be important for managers to help the employees understand where their personalities fit into a group structure, and how to form an effective group with others of different personality types.

One action a manager could take is to have each employee take a Myers-Briggs Type Indicator (MBTI) test upon hiring the employee. The Myers-Briggs Type Indicator is a personality measure that is based on Jung's theory of psychological types (Pittenger, 1993). Although, the MBTI is only one style of personality test, it may help managers determine where to place the employee in a particular group. However, it is also important to note that the MBTI test results may change over time since group members sometimes conform to others in the group or personal situations.

The aim of this article is to give the reader an increased awareness of the groupthink theory. In doing so, provides a historical background for the development of groups in the
workplace as well as the development of the groupthink theory by Irving Janis. The document also delivers a view on whether or not groupthink will remain a problem in organizations, and some of the remedies to combat groupthink. Lastly, the paper offers readers the opportunity to reflect on personality traits and the impact personalities have on groups and the groupthink theory. Groupthink can be detrimental to the effectiveness of an organization, but there are ways to help prevent groupthink.

References


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DO ACTIONS SPEAK LOUDER THAN WORDS?
AN EMPIRICAL INVESTIGATION IN TERMS OF ORGANIZATIONAL PERFORMANCE IN MANUFACTURING ORGANIZATIONS.

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Abstract
During the last years, organizational performance of manufacturing organizations is considered to be a key for a country’s economy. As a result of high positive performance of manufacturing organization; the overall effects on the society have attributed the attention and the interest of organisational researchers. Armstrong and Baron¹ highlighted the importance of performance management being strategic, integrated (vertical, functional, HR integration and integration of individual needs), concerned with performance improvement and concerned with development. Gates² and Otley³ further broaden the scope of performance measurement to include strategy development and the taking of action. In this study, researcher investigates the extent to which an organizational performance is affected by the actions of manufacturing leaders than by just implementing strong rules and regulations in the manufacturing organization. It was also examine whether differences in manufacturing organizational performance and actions of their leaders relate directly to manufacturing organizational performance or vice versa. There are number of tools and techniques available to measure organizational performance e.g. balance score card theory (BSC) by Kaplan and Norton (1992)⁴ based on stakeholder theory. The Balanced Scorecard began life as an operational tool designed to measure and helps improve operational performance in a manufacturing organization. According to Professor, Bob Kaplan, its scope broadened to the measurement of organizational performance. Lipe and Salterio’s⁵ have found that the use of the scorecard framework helps managers’ judgment, it improves their focus on what is important; and it does not create information overload. Further according to Tomasello M et al⁶, humans are more skilled than other animals at discerning what others are perceiving, intending, desiring, knowing, and believing—allowing group decision based on mutual discussion. It is therefore expected that the performance of the manufacturing organizations in this study to be attributed to the ability to actually do the job of their subordinates by the manufacturing leaders and thus set an example for the workers and thus enhance the performance of the manufacturing organization. Based on the results of data analysis of 132 manufacturing organization leaders/ workers, it was found that organizational performance measured using balance score card approach is negatively related to both strong rules and regulations than by the actions of manufacturing organization leaders. Researcher argues this is due to strong rules and regulations in manufacturing organizations and so subordinates own innovativity reduces and causes organisational performance at stack. On the other hand manufacturing leaders’ positive attitude has a significant positive relation between manufacturing organisational performance. Finally, it was also observed that manufacturing leaders educational background, related field experience positively influences the manufacturing organizational performance. Overall, results suggest that the more skilled and experience a manufacturing leader has, the more positive is the organizational performance. In a nutshell it can be concluded that manufacturing organizational performance is directly related to the actions of manufacturing leaders as well as the skills, experience and ability to do the job of his/her subordinate. A model for improving performance of manufacturing organizations has been developed as a result of data analysis of this study and is presented in this paper to enhance the performance of manufacturing organizations.
Keywords: Manufacturing Organizational Performance; Actions of leaders; Skills and experience of leaders, Balance Score Card

1. Introduction

There is a large and growing body of evidence that demonstrates a positive link between the actions of manufacturing leaders and organizational performance. The emphasis is on actions of manufacturing leaders in manufacturing organizations that reflects the view that manufacturing organizational performance depends less on tangible resources, but rather on intangible ones, particularly actions of manufacturing leaders. Recruiting and retaining the best manufacturing leaders, however, is only part of the equation. The organization also has to leverage the skills and capabilities of its manufacturing leaders by encouraging manufacturing leader’s positive actions and providing a supportive environment in which manufacturing leaders can freely apply their skills, knowledge and experience to enhance subordinates productivity. In this study, researcher will assess the manufacturing leader’s actions that can lead to improved organizational performance and identify the key elements of the actions of manufacturing leaders which are essential to make subordinates more productive. The researcher will also examine the affect of these actions of manufacturing leaders on productivity and subsequently the impact on organizational performance, for which evidence is now growing. The purpose of this study was to test the effects of organizational performance relationship with the actions of manufacturing leaders. Based on a cross-sectional study of manufacturing organizations performance and actions of manufacturing leaders, the paper tests whether the positive actions of manufacturing leaders are a key to enhance manufacturing organizational performance or vice versa. The questionnaire was designed to find the answer that whether the positive actions of manufacturing leaders are one of the factors to enhance manufacturing organizational performance? The findings of the study will have implications for manufacturing leaders as well as for the top management of manufacturing organizations wishing to formulate a strategy to enhance manufacturing organizational performance based on manufacturing leaders’ characteristics.

2. Literature review

Literature review on performance management has few comprehensive definitions on Performance Management. Glossary of Performance Terms (IDeA) highlighted that it involves understanding and acting on performance issues at each level of your organisation, from individuals, teams and directorates, through to the organisation itself. It also involves performance measurement, systems and processes. Performance management is about managing people and ‘the way people within an organisation operate and work together’. Issues such as leadership, decision making, motivation, encouraging innovation, and risk taking are important to bring about organisational performance improvement.

The definition of performance management elaborates the depth of the subject highlighting some of the activities involved in managing performance, that require a range of multi skills and functional approaches. Performance management has developed from diverse origins. During the last decades, different measurement and management techniques and approaches have been developed by number of researchers independently. Financial management and specially management accounting have been developed for measuring and controlling the financial performance of organisations, operations management particularly deals with the “shop floor” performance and it is often focusing on improving throughput and efficiency with reference to manufacturing or service perspective, strategy management deals with developing plans to
deliver future objectives (including planned performance) and personnel have been developed concerned with managing the performance of people. It is relatively recently that performance management from these disparate disciplines has begun to converge and recognise the need for integration into a multidisciplinary approach to managing performance. (Neely et al, 1995) defined performance measurement as the process of quantifying the efficiency and effectiveness of action. (Neely, 1998) further identify the activities required to measure performance by identifying a performance measurement system as contributing to three inter-related elements:
- Individual measures that quantify the efficiency and effectiveness of actions.
- A set of measures that combine to assess the performance of an organisation as a whole.
- A supporting infrastructure that enables data to be acquired, collated, sorted, analysed, interpreted and disseminated.

This definition given by (Neely, 1998) is one of the most precise and most quoted definitions of performance measurement, other notable definitions e.g., by (Ittner, Larcker and Randall, 2003), (Gates, 1999) and (Otley, 1999) has broaden the scope of performance measurement and to include strategy development and taking of action.

A review of the literature (Archer and Otley et al, 1990-2003) identifies a number of reasons for managing performance as:
- Strategy Formulation, determining what the objectives of the organisation are and how the organisation plans to achieve them.
- Manage the strategy implementation process, by examining whether an intended strategy is being put into practice as planned.
- Challenge assumptions, by focusing not only on the implementation of an intended strategy but also on making sure that its content is still valid.
- Check position, by looking at whether the expected performance results are being achieved.
- Comply with the non-negotiable parameters, by making sure that the organisation is achieving the minimum standards needed, if it is to survive (e.g. legal requirements, environmental parameters, etc.).
- Communicate direction to the rest of the employees, by passing on information about what are the strategic goals individuals are expected to achieve.
- Communication with external stakeholders
- Provide feedback, by reporting to employees how they are, their group and the organisation as a whole is performing against the expected goals.
- Evaluate and reward behaviour, in order to focus employees’ attention on strategic priorities; and to motivate them to take actions and make decisions, which are consistent with organisational goals.
- Benchmark the performance of different organisations, plants, departments, teams and individuals.
- Inform managerial decision-making processes.
- Encourage improvement and learning.

As argued by Neely, Kaplan and Norton; performance management system is assumed to be interactive (Neely, 1998; Kaplan and Norton, 2001) because its main roles are to aid the execution of the business strategy and to question strategic assumptions. To measure organisational performance, managers who used the balance scorecard, as an interactive system
are overloaded; hence, they won’t be able to interactively use the system (Weber and Schaeffer, 2000). According to the findings of (Lipe and Salterio’s, 2000, 2002) studies indicates that the use of the scorecard approach helps managers’ judgement, on what is important; and it actually does not create information overload. Further, (Nilsson and Kald’s, 2002) survey of Nordic firms has found that strategic performance management systems are used both diagnostically and interactively.

According to (Watkin and Hubbard, 2003) 'research has … constantly shown how an organisational climate can directly account for up to 30 per cent of the variance in key organisational performance measures'. (Wiley and Brooks, 2000) cite 'a significant body of research … that examines the relationship between how employees describe their work and the relative performance success of those work'. They say that this research 'suggests that the more present certain organizational or leadership practices are in a given work environment, the more energized and productive the workforce will be'.

Organizational Performance Management (OPM) in the manufacturing organizations scenario is ‘the manufacturing organizational leader’s activities necessary to improve the product quality as well as organizational profit margin’. Organisational Performance Management (OPM) in the public sector is ‘the managerial activities necessary to promote well-performing policy management and public service delivery’ (the Organisation for Economic Cooperation and Development; OECD, 1997:8). Organisational performance management in a government context refers to ‘the activities of government and its agencies in planning, implementing, reviewing and evaluating the effectiveness of its policies, plans, programmes and projects’.

This paper investigates the extent to which a manufacturing organisation performance is reflected by the actions of its manufacturing leaders. During the last years, organizational performance of manufacturing organizations is considered to be a key for a country’s economy. As a result of high positive performance of manufacturing organization; the overall effects on the society have attributed the attention and the interest of organisational researchers. (Armstrong and Baron, 2003) highlighted the importance of performance management being strategic, integrated (vertical, functional, HR integration and integration of individual needs), concerned with performance improvement and concerned with development. (Gates, 1999 and Otley, 1999) further broaden the scope of performance measurement to include strategy development and the taking of action. In this study, researcher investigates the extent to which an organizational performance is affected by the actions of manufacturing leaders than by just implementing strong rules and regulations in the manufacturing organization. It was also examine whether differences in manufacturing organizational performance and actions of their leaders relate directly to manufacturing organizational performance or vice versa. There are number of tools and techniques available to measure organizational performance e.g. balance score card theory (BSC) by (Kaplan and Norton, 1992) based on stakeholder theory.

The see what contributes to competitive advantage, (Wright, 20010 and others acknowledge that internal resources be viewed as crucial to sustained effectiveness (Wright et al, 2001) and the work of (Penrose, 1959) represents the beginning of the resource-based view (RBV) of the firm, and later articulated by (Rumelt, 1984, Barney, 1991, 1996 and Dierickx & Cool, 1989). The RBV focuses on the importance for an organisation to contributing a valuable group of resources and binding them together in unique and productive ways to develop organisation success. Competitive advantage is not only dependent, as normally considered, on natural resources, technology used, or economies of scale, because these are simply straightforward to
reproduce. However, competitive advantage in terms of RBV is solely dependent on the valuable, rare, and hard-to-reproduce resources that exist within an organisation. Human capital is truly in a real sense an ‘invisible asset’ (Itami, 1987).

3. Methodology

This research was quantitative in enquiry and was targeted at examining whether manufacturing leaders actions i.e., whether the command of manufacturing leaders over the job of the subordinates, educational background of manufacturing leaders, strong knowledge of the job performed by the subordinates and manufacturing leaders experience have a positive effect on manufacturing organisations performance or vice versa.

From the literature review of organisational performance, it is evident that leaders strong knowledge, extensive experience and the leaders ability to perform subordinates job have a positive affect on the overall organisational performance. Keeping in view of the facts from the literature of organisational performance, a questionnaire was designed based on the consideration of manufacturing leaders ability to have a grasp on the job of subordinates, strong knowledge of the job and experience of the manufacturing leaders. The questionnaire was either emailed or posted to manufacturing leaders, i.e., managers, assistant managers and shop floor supervisors with a request for an early return to the researchers. A total of 132 questionnaires were emailed or posted to various manufacturing leaders of twelve manufacturing organisations. Out of 132 questionnaires, 104 questionnaires were received back duly filled resulting a 78% response rate. Responses were analyzed quantitatively using SPSS. Details of some of the data collected are summarized in table-1 to table-3 as follows:

Table 1 Details of Data Collection

<table>
<thead>
<tr>
<th>Industry / Project</th>
<th>No. of Participants</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large Manufacturing Organisations employing 300 or more employees</td>
<td>76</td>
<td>57.57</td>
</tr>
<tr>
<td>Medium Size Manufacturing Organisations employing 100 to 300 employees</td>
<td>34</td>
<td>25.75</td>
</tr>
<tr>
<td>Small to Medium Size Manufacturing Organisations employing 50 to 100 employees</td>
<td>22</td>
<td>16.66</td>
</tr>
</tbody>
</table>

In term of years of service, respondents’ work experience in their respective organisations is tabulated and shown in table 2 as follows:-

Table 2 Demographic Data

<table>
<thead>
<tr>
<th>No. of Years of Service</th>
<th>No. of Participants</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-3</td>
<td>56</td>
<td>42.42</td>
</tr>
<tr>
<td>3-5</td>
<td>26</td>
<td>19.69</td>
</tr>
<tr>
<td>5-8</td>
<td>19</td>
<td>14.39</td>
</tr>
<tr>
<td>8-12</td>
<td>31</td>
<td>23.48</td>
</tr>
<tr>
<td>Total</td>
<td>132</td>
<td>100</td>
</tr>
</tbody>
</table>

The respondents were asked to give their opinion either Yes or No about a number of questions and some of the questions are summarized as shown in table-3
Table 3 Summary of the Questionnaire

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Do you think the manufacturing leaders’ strong knowledge about the job done by his/her subordinates has a positive affect on organisational performance?</td>
</tr>
<tr>
<td>2</td>
<td>Does manufacturing leaders’ related experience to the job performed by his/her subordinates’ have a positive affect on organisational performance?</td>
</tr>
<tr>
<td>3</td>
<td>Do you think manufacturing leaders’ strong educational background have a positive affect on organisational performance?</td>
</tr>
<tr>
<td>4</td>
<td>Does manufacturing leaders’ strong ability to do the job of his/her subordinates’ have a positive affect on organisational performance?</td>
</tr>
<tr>
<td>5</td>
<td>Do you think manufacturing leaders’ who are considered to be role models have a positive affect on organisational performance?</td>
</tr>
<tr>
<td>6</td>
<td>Does manufacturing leaders’ positive attitude towards his/her subordinates have a positive affect on organisational performance or to enhance manufacturing organisational performance?</td>
</tr>
<tr>
<td>7</td>
<td>Do you think that by implementing strong rules/regulations in manufacturing organisations have a positive affect on manufacturing organisations performance?</td>
</tr>
</tbody>
</table>

4. Analysis and Results

Data collected from the respondents was analysed using SPSS 16.0. Summary of the results obtained from the respondents is shown in Table 4 and graphically shown in Figure 1. It is evident from the results of the data analysis that respondents were asked whether the manufacturing leaders’ strong knowledge about the job done by his/her subordinates has a positive affect on organisational performance. About 81 percent of the respondents were in favour of the opinion. When the same respondent were asked whether manufacturing leaders’ related experience to the job performed by his/her subordinates’ have a positive affect on organisational performance manufacturing, 65 percent of the respondents replied positively and 94 percent of manufacturing leaders also replied positively regarding manufacturing leaders’ strong educational background have a positive affect on organisational performance, 85 percent of manufacturing leaders’ were in favour of the opinion of strong ability of the manufacturing leaders’ to do the job of his/her subordinates’ have a positive affect on organisational performance. 92 percent of the manufacturing leaders’ responded in favour of the question about positive attitude of manufacturing leaders towards his/her subordinates have a positive affect on organisational performance, whereas only 17 percent of the respondents were in favour of the opinion regarding implementing strong rules/regulations in manufacturing organisations have a positive affect on manufacturing organisations performance. It is to be mentioned here that the respondents replied in a similar fashion regardless of organisational size, or with respect to the experienced they possessed. (Neely et al, 1995) defined performance measurement as the process of quantifying the efficiency and effectiveness of actions. The results of data analysis of this study also indicates that manufacturing organisational performance (efficiency and effectiveness) is directly proportional with the manufacturing leaders’ attitude, experience, educational background and ability to do the job of his/her subordinates’. This can be stated that actions of manufacturing leaders, i.e., managerial skills, job related experience, educational background and ability to perform subordinates’ job) can have a positive impact on manufacturing organisation performance just as the idiom ‘actions speak louder than word’. From the results of data analysis of this study, a model has been developed to enhanced manufacturing organisational performance as shown in figure-2
In accordance with the analyses results, research model is being shaped as it has been shown at Figure 1 below

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Questions</th>
<th>No. of Respondents responded as “Yes”</th>
<th>No. of Respondents responded as “No”</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Do you think the manufacturing leaders’ strong knowledge about the job done by his/her subordinates has a positive affect on organisational performance?</td>
<td>107</td>
<td>25</td>
</tr>
<tr>
<td>2</td>
<td>Does manufacturing leaders’ related experience to the job performed by his/her subordinates have a positive affect on organisational performance?</td>
<td>87</td>
<td>45</td>
</tr>
<tr>
<td>3</td>
<td>Do you think manufacturing leaders’ strong educational background have a positive affect on organisational performance?</td>
<td>124</td>
<td>8</td>
</tr>
<tr>
<td>4</td>
<td>Does manufacturing leaders’ strong ability to do the job of his/her subordinates’ have a positive affect on organisational performance?</td>
<td>112</td>
<td>20</td>
</tr>
<tr>
<td>5</td>
<td>Do you think manufacturing leaders’ who are considered to be role models have a positive affect on organisational performance?</td>
<td>126</td>
<td>6</td>
</tr>
<tr>
<td>6</td>
<td>Does manufacturing leaders’ positive attitude towards his/her subordinates have a positive affect on organisational performance or to enhance manufacturing organisational performance?</td>
<td>121</td>
<td>11</td>
</tr>
<tr>
<td>7</td>
<td>Do you think that by implementing strong rules/regulations in manufacturing organisations have a positive affect on manufacturing organisations performance?</td>
<td>23</td>
<td>109</td>
</tr>
</tbody>
</table>

Fig 1. Graphical Representation of Summary of Responses of the Questionnaire
5. Conclusion

(Terziovski et al, 1999) concluded that manufacturing organisation performance is more likely to achieve better performance in employee relations, customer satisfaction, operational performance and business performance, with total quality management than without total quality management (Milé Terziovski, Danny Samson, 1999). However this study also found that affect of manufacturing organizational performance is dependent on the strong managerial skills of manufacturing leaders in addition to high educational background, more job related experience and ability to perform subordinates’ job. The results of this study indicates that manufacturing organisations performance will be high if manufacturing leaders have good educational background, possess good managerial skills, have job related experience and command over the subordinates’ job performed. This is in line with the idiom ‘actions speak louder than word’. The result of this study has been used to develop a model to enhance the performance of manufacturing organisations and is depicted in figure 1. This model can be used in the selection of suitable manufacturing leaders to enhance the performance of manufacturing organisations. The developed model was the outcome of data obtained from manufacturing organisations; however it can also be used to enhance organisational performance of any type of organisation if tested successfully.

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References


IDEA, Glossary of Performance Terms


ABSTRACT: Technology is constantly changing our society. It has transformed how we relate to one another, work together, and spend our personal time. What are the ramifications of this technology on employee privacy, work life balance, and workplace relationships? We live in a society where employees can regularly check email from their handheld devices during their “personal” time. When does work end and one’s personal life begin? It appears that these boundaries are constantly being tested. How much control do employers have over their employees when they are away from the physical workplace? Do employees have a right to privacy if they are in their own but still connected to the company’s computer network? This paper reviews current legal guidelines, as well as the psychological implications for the relationship between employees and employers, of the hazy boundaries which exist in today’s working environment.

KEY WORDS: employee monitoring, work life balance, technology, employee privacy, privacy laws, Facebook

Introduction

Today’s current technological advances have done wonders for worker productivity. Employees are able to produce more efficiently as well as collaborate in ways they have never been able to before. However, there are some drawbacks to these technological advancements affecting employee privacy, the relationship between employers and employees, and work life balance. The legal climate in the US has not been able to keep up with these technological changes and their far-reaching effects on our society as a whole.

The lines between work and one’s personal life has blurred to the point where employees regularly check work email from their Blackberry during their child’s soccer game or after the 10 o’clock news. Many feel that since their work-life has intruded so much on their personal life, they should be allowed to use the employer computer systems for their personal affairs, as well as be afforded a certain degree of privacy while handling those personal affairs on employer
owned systems and equipment. However, on the other side of the coin, employers have an obligation to ensure that the workplace is not a hostile environment and that employees are not putting the employer at risk for liability issues as well as putting computer systems at risk by viewing or uploading questionable data.

These are difficult issues to navigate. First, we will look at the legal climate in the US, followed by employee privacy and monitoring considerations, Human Resource managers’ use of social networking sites in order to screen applicants, and last, threats to employers (or the reasons that monitoring is necessary by employers.)

Legal Considerations in Privacy Issues

In the United States, the laws regarding employee monitoring and privacy are vague, at best. Most laws are based on the very ambiguous concept of “reasonable expectation of privacy.” This abstruse concept leaves many issues in the hands of courts for legal interpretation and also leaves room for that interpretation to continuously evolve as societal norms change. This leaves both employees and employers in the precarious position of trying to balance the employee’s needs for privacy and the employer’s needs for monitoring without clear legal boundaries to turn to for guidance. The courts in the US have mostly upheld employer surveillance practices but many times, companies are still wary of implementing many of these monitoring systems due to vague legal guidelines and the apprehension of expensive litigation (Desai, von der Embse, & Ofori-Brobbey, 2008).

The courts and legislature are having difficulties keeping up with today’s rapidly changing technologies and working environments. However, there are three major principles which give a framework to the legal climate in the United States in regards to employee privacy: 1) the workplace exists for the purpose of work, 2) the employer provides technology and pays a salary to employees in return for performance, and 3) liability issues supersede an employer’s reflex to enhance employee privacy interests (Ciocchetti, 2011). According to Miller and Wells (2007), employers must conduct some monitoring as they have an obligation to ensure that certain activities (for example, emails that create a hostile work environment) are not occurring in the workplace; “Employers can be held liable for these acts if they either knew or should have known that such actions were occurring and failed to terminate or otherwise remove the offending party from a position in which the offense could continue” (p. 317.) However, while monitoring may seem necessary in order to follow those principles, the monitoring must also be for business purposes, for the employer to avoid liability, and be investigatory in nature (Ciocchetti, 2011). Employers have attempted to use notifications regarding their policies, believing that this may circumvent many of the controversy regarding monitoring. US Courts have backed many of these notifications by avoiding any acceptance of basic privacy rights that employers cannot destroy by the utilization of some type of notification (Determann & Sprague, 2011). In fact, even in cases of inadequately written employer notifications, any limited expectation of privacy that might feasibly exist can be annulled based on an expansive interpretation of the related notice if the actual monitoring is maintained by an employer’s valid business interest in monitoring employee communications (Determann & Sprague, 2011).

Legally, there are three prime sources of privacy protection in the United States. The Fourth Amendment of the constitution referring to appropriate searches and seizures of property have traditionally applied to criminal courts, however it does lay the groundwork for latent
privacy rights for employees, especially in the public sector (Determann & Sprague, 2011). It is interesting to note, that under the Fourth Amendment, once a person reveals information to a third party, that person cannot claim protection from the Fourth amendment (Epstein, 2009). So, for example, if an employee is stealing from their workplace and confides to another employee that the items the employee has been stealing are kept in a locked desk drawer, the employee conducting the illegal activity cannot claim the Fourth amendment if the employer conducts a search of their locked drawer. The Fourth Amendment primarily deals with physical searches where an employer suspects an employee of wrongdoing. An employer cannot search where there is a “reasonable expectation of privacy”, (for example, a purse may be considered off-limits however searching a desk may be allowable). Dumpster diving however, which is the art of looking through the trash in order to find information that an employee has discarded, is generally allowable because there is no reasonable expectation of privacy regarding items placed in a trash receptacle (Ciocchetti, 2011).

The second source of privacy protection in the United States is common law. Workers may also be protected under common law. The tenants of “invasion of privacy” under common law are: 1) imposition upon a person’s seclusion or solitude, or into his personal affairs, 2) public divulging of humiliating private details, 3) publicity which portrays a person in a false light in the public’s perception of them, and 4) utilizing a person’s name or likeness to their advantage (Evans, 2007). Much of this body of law is based on society’s “expectation of privacy” which is greatly shaped by these new emerging technologies. Society’s expectation of privacy depends greatly upon societal norms which are difficult to define. An employee has to demonstrate a definite expectation to privacy, and given today’s rapidly changing technological environment and its broader implications on society, this can be an extremely difficult task (Determann & Sprague, 2011). Historically, the courts have more frequently decided in favor of the employer in common law privacy cases regarding digital privacy due to the increased difficulty in proving ones “expectation of privacy” (Evans, 2007).

The third source of privacy protection in the United States is the area of statutory law. There are various federal laws that protect the privacy of citizens from certain incursions, but there are no comprehensive federal laws concerning privacy at the workplace or even any laws regarding privacy in general (Evans, 2007). The primary federal statutes protecting employees are the Electronic Communications Act (ECPA) and the Computer Fraud and Abuse Act (CFAA). The Electronic Communications Act (ECPA) of 1986 is separated into two Titles. Title I of this Act is referred to as the “Wiretap Act”, and Title II is referred to as the Stored Communications Act (SCA) (Determann & Sprague, 2011).

Applying the ECPA to the workplace in recent years has been difficult partially because it was created before the advent of the Internet, so the legal context is inadequately suited for many contemporary forms of communication (Determann & Sprague, 2011). Moreover, many of the exceptions within the ECPA also make it inapplicable to ordinary computer use. Based on the two main exceptions to the ECPA, employers who own or outsource their own email systems are exempt (Determann & Sprague, 2011). In other words, any employer who offers email or communications systems through their work are exempt from the ECPA, which one could assume is pretty close to 100% of employers in the US. In fact, the ECPA actually gives businesses a legal justification to monitor and observe all e-mail and Internet activities on the business systems (Wen, Schwieger, & Gershuny, 2007).
The CFAA refers mostly to hacking types of activities and states that an entity or someone “…can’t knowingly access a computer without authorization or exceeding authorized access” (Ciocchetti, 2011, p. 294). This may come into play if an employer attempts to hack into an employee’s Facebook account, for example. However, if an employee accesses that Facebook account on an employer-owned computer system and the employer obtains the employee’s password through certain monitoring software, the employer may be able to have full access to that employee’s Facebook account and the employee may not be protected under the CFAA. However, under this same example, the employee may be protected under the ECPA.

When a person logs into their personal Web-based accounts on a work computer, even a company laptop, this creates a temporary file and the password that is then stored in that computer. Employers are then able to view those files and access those accounts. Web-based accounts that are separate from the employer’s internal computer system are protected from access by the SCA (Peerce & Shapiro, 2010). According to Peerce and Shapiro (2010), “…courts have found violations of the SCA by employers who log in to review their employees’ Web-based personal accounts… other courts have suppressed evidence that an employer obtained in violation of the SCA” (p. 14). However, it important to note that although an employer cannot access these records, the government can as long as they follow proper rules and procedures which are outlined in SCA, many times requiring a search warrant in order to obtain (Peerce & Shapiro, 2010). Nevertheless, due to the exceptions of the ECPA, an employer might be exempted from the statute on company-offered communications (such as email, voice mail, etc.).

There are three areas in which monitoring by an employer might be considered a violation of privacy. Those areas are access to personal web-based applications, the use of webcams, and the use of location-tracking technologies (Determann & Sprague, 2011). In many of these cases, the courts will take into consideration the depth or how invasive the monitoring is, as well as if it is essential and pertinent to the functioning of the organization (Lugaresi, 2010). Many times, webcams can be activated remotely on an employee’s company-owned laptop, thus giving an employer the opportunity to view video footage of images recorded wherever that particular webcam may be located (in the employee’s hotel room or a bedroom, for example.)

Most courts appear to set a very clear boundary when it comes to privacy in one’s own home. Activating a webcam even on a company-owned laptop may definitely cross the proverbial line in the sand and would more than likely be viewed as offensive to most courts (Determann & Sprague, 2011). Regarding GPS tracking, once again there is no clear cut guidance. California is the only State with a statute regarding GPS tracking, and tracking is only allowed to track an employer vehicle in California (Determann & Sprague, 2011). Whereas GPS tracking may not seem invasive initially, the more prolonged and sophisticated the tracking is, the more likely that it could be viewed as a privacy violation in the future (Determann & Sprague, 2011). The courts, and likewise the employer, must always take into consideration the intent of monitoring and how extensive the monitoring is. There is a difference between knowing where the company truck is and tracking the cell phone of the truck driver when they are “off the clock.”

Social networking sites pose a unique challenge, as each social networking site is different in regards to privacy settings. Furthermore, a person may allow some access to certain individuals yet not to others. So, if an employee granted one coworker access and then that
coworker allowed the employer to have access, would the original employee have a “reasonable expectation of privacy?” It stands to reason that a person who took steps to safeguard privacy on a social networking site (for example, adjusting all of the privacy settings on Facebook to “friends only”) would have a greater expectation of privacy than someone who did not take such precautions (Elzweig & Peeples, 2009).

The National Labor Relations Act (NLRA) has come into play recently regarding social networking sites. Several cases addressing Facebook specifically have come to light during 2011. Employees may have some protection under the NLRA if their postings constitute “concerted activity,” even if the posting is done from their own computers on their own time from home. According to Berkowitz, Downes, and Burdick (2012):

“The NLRA does not specifically define what constitutes protected “concerted activity”; however, recent decisions have made clear that in the social media context, employees’ posts on the Internet, even from personal computers during non-working hours, may constitute concerted activity” (p. 39).

It appears that in order for comments to be protected under the NLRA, they must be geared towards discussion of policies of the company (even if the comments appear to be only a public outpouring of grievances) as well as asking for feedback and/or commentary from other co-workers. However, it’s not just comments on Facebook that are protected by the NLRA. Employers can also violate the NLRA by retaining employment regulations that could be construed as restraining employees’ capability to participate in concerted activity through social media (Berkowitz, Downes, & Burdick, 2012).

We have focused largely on federal statutes thus far, but there are also State laws to take into consideration. Many States have tried to fill in the gaps of federal law, by having their own privacy statutes to address the growing concerns over “big brother” employers increasingly monitoring employee activity during non-working hours. California is leading the way regarding privacy issues and the right to privacy is actually established in the State constitution. According to Gina Genova at the University of California (2009), “If the employee’s off-duty [Online Social Networking] conduct does not run afoul of the employer’s legitimate business interests, then any discipline/termination based on such use is most likely a violation of the employee’s constitutionally protected privacy right” (p. 99). However, Genova (2009) also cautions, “Until a body of case law interpreting these laws is built, wise employees should exercise restraint in their online presence as it reflects on their work life” (p. 100).

Employee Privacy and Monitoring

There are actually two different types of privacy - information and communication privacy. Information privacy is a person’s ability to control access to their own private information. Whereas communication privacy is a person’s ability to control who can access the content of their own communications (Snyder, 2010). In some mediums, such as Facebook, both types of privacy issues are present at the same time. Much of an employee’s perception and views regarding monitoring deal with the level of control the employee feels that they have. Based on the legal discussion above, organizations have the right to monitor, record and read employee communications on business systems, but there may be some unintended outcomes.
regarding employee relationships in the work place when monitoring is perceived as extensive (Snyder, 2010).

The Communication Boundary Management Theory (CBM) utilizes a boundary metaphor in order to demonstrate how individuals orchestrate the interaction between disclosing and suppressing private information (Snyder, 2010). The main principles of CBM involve individuals having control over their own information and a great degree of trust being developed. When private information is shared with another person, that person becomes a co-owner of the information. If a privacy rule is broken, boundary turbulence is a result which is detrimental to the relationships of the persons involved (Snyder, 2010). This theory is important because it relates to trust as a foundation between employers and employees in regards to privacy issues. The idea of trust between employees and employers extends beyond the reaches of just merely privacy issues.

According to McNall and Roach (2009), in their study of electronic performance monitoring, there is a relation to job performance and trust in a manager. Electronic performance monitoring (EPM) is specifically employee monitoring geared towards tracking and analyzing the performance of employees (McNall & Roch, 2009). In their study, they found that explaining the purpose of EPM as well as using EPM for developmental purposes, as opposed to controlling purposes, helped to build trust with employees and thus leading to employees having a positive view of EPM (McNall & Roch, 2009).

This idea of building trust with employees can also be extended beyond just employee monitoring. There is also a psychological contract between employees and their employer, in which there is an understood assurance and respect which binds both parties to a mutual obligation (Anandarajan, Simmers, & D'Ovidio, 2011). With the blurring between work and personal time, and adoption of technology that allows individuals to work anywhere at any time, the traditional psychological contract has weakened. “Work life balance is defined as satisfaction and good functioning at work and home with a minimum of role conflict” (Cousins & Varshney, 2009, p. 117) Many employees feel that they are entitled to some amount of personal usage of employer systems as a type of informal compensation for giving up time in other avenues of their life (Anandarajan, Simmers, & D'Ovidio, 2011). In other words, many employees feel that this gives them more balance in their relationship with their employer as well as to add to their work life balance.

Organizations depend on the sharing of knowledge between workers for their success but employees must trust their employers in order to feel comfortable sharing knowledge (Teh & Yong, 2011). Monitoring can play a part in this. If, for example, an employee feels like their employer is always trying to “catch” them doing something wrong, as well as “spying” on them during non-work hours, the employee will not feel inclined to share knowledge within the organization because there will not be a foundation of trust in which to build upon (Teh & Yong, 2011). In fact, excessive monitoring will only cause employees to sneak around and find a way around the rules (Ciocchetti, 2011). Also, employers should take into consideration that employee perceptions will be based on individual differences in personalities as well as ethical predispositions. Employers should tailor their communications and anticipate employee reactions based on these differences (Alder, Schminke, & Noel, 2007).
Assessing Applicants Using Online Tools

The relationship an employer has with its employees begins before that employee is even hired. Many companies have begun to use online tools in order to screen applicants for positions before even granting interviews. Microsoft, Starbucks, Goldman Sachs, and Deloitte are just a few large US companies who admit to using searches on social networking sites, including LinkedIn to evaluate applicants (Roberts & Roach, 2009). In fact, 15% of Human Resource managers surveyed, use social networking sites presently to do background checks on applicants, and 40% revealed that they are likely to use these tools in the next year (Smith & Kidder, 2010). Even more alarming than the fact that employers are looking at social networks of applicants to begin with, is that 63% of employers viewing online social networking profiles have actually rejected prospective employees based on the information in those profiles (Genova, 2009). In some instances, even if the applicant has set their profile to “private,” employers have had a friend of the applicant give them access to the profile (Smith & Kidder, 2010).

However, not all employers look up profiles on Facebook in order to “dig up dirt” on different candidates. Some employers see having a profile on social networking sites as desirable for some positions, especially those which require the integration of networking with technical skills. Furthermore, many times a business is able to see that a candidate possesses a certain skill set that was not listed on the resume (Smith & Kidder, 2010). Human resource managers have also found in many circumstances that they are able to utilize the group function in Facebook to recruit new applicants. They can discuss the positions available in depth and discuss a candidate’s qualifications in an informal manner which helps to facilitate the hiring of the most suitable person for positions within the company (Weiss, 2011).

Employers must be careful though viewing profiles over social networking sites as they cannot use this information to discriminate against groups that are protected under Title VII. When businesses view many of these profiles, they will be able to see into a person’s life or lifestyle, such as how many children they have or if they have a disability. Also, due to Social Identity Theory, many hiring managers will have a bias towards people who are similar to them and this could be a problem due to the amount of personal information available through social networking sites (Smith & Kidder, 2010). If a disparate impact case were to come against an employer, employees and applicants could use these practices to show that the employer was discriminating against certain groups through their hiring practices. Also, if an employer is using social networking sites for the purpose of a background check, then prospective employees are legally entitled to have the investigation disclosed to them up front (Smith & Kidder, 2010).

Another precaution that human resource managers must take into account when reviewing all of the information available online is accuracy. First and foremost, many individuals do not continuously control or are even aware of information about themselves on Facebook or other online venues (Smith & Kidder, 2010). Is the information posted even true? All hiring managers must consider the truth and legality of the information posted, especially if it is posted by a third party (Roberts & Roach, 2009). Another concern along the same lines of the accuracy of information found online, is that individuals generally behave, think, and perceive differently when they are online (Rhee, Sanders, & Simpson, 2010). Gupta (2007) asserts that “In many ways, the online world is far removed from reality…The virtual world lulls people into
letting their guard down by creating a false sense of security, privacy, bonhomie, and anonymity” (p. 106). For example, Facebook has a kind of online culture that perpetuates self-promotion within one’s own network in order to project a popular image (Smith & Kidder, 2010). This “popular image” might not necessarily equate to a lifestyle that one wants to project to future employers. For example, a young single recent college graduate might portray himself as having a “party” persona on Facebook, when in reality he is very studious and responsible. A person might not also realize on Facebook that although their privacy settings are set to “friends only,” their friends might not have the same settings. If someone comments on another person’s photo which is public, that comment will be viewable to the public regardless of the individual’s privacy settings (Roberts & Roach, 2009).

Threats to Employers

It may appear that there are no real reasons for employers to monitor employees besides the employer just trying to snoop into the personal lives of their employees, but this is not the case. Advances in technology in recent years has made it easier to boost employee productivity, but at the same time it has also allowed employees to waste time on the Internet, commonly referred to as “cyber loafing.” Employees spent on average 1.86 hours per workday on endeavors other than their job, and 52% surveyed listed internet surfing as their leading diversion (Miller & Wells, 2007). Furthermore, 79% of surveyed individuals admitted to sending personal e-mail at work and 76% admitted to receiving personal email at work (Snyder, 2010). Not only does this personal use expose the employer to lost productivity, but it also exposes the company’s computer to other increased threats.

According to Miller and Wells, corporate security risks fall into six general classifications (2007):

- Hostile Work Environments
- Negligent Retention
- Decreased Productivity
- Disruption of Service
- Theft of Intellectual Property
- Fraud & Embezzlement (p.316)

Given these classifications, we can see why employee monitoring is necessary in the United States. The hostile work environment threat involves the use of the company technological systems in which to create an environment that is derogatory towards protected groups under Title VII of the Civil Rights Act of 1964. Negligent retention is the idea that the employer can be held liable for acts by an employee if the employer either recognized or should have recognized that those sorts of behaviors were transpiring and did not dismiss or remove the offending employee from a position in which the transgression could persist (Miller & Wells, 2007). If, for example, an employee was sending around emails that were considered inappropriate and derogatory, and the employer was not monitoring the email system so had no knowledge of the offense, the employer could still be held liable for negligent retention for allowing a hostile work environment. Also, employers must assess the potential threat of a disruption in service. Organizations suffer from huge losses by viruses or worms, and oftentimes these are the direct result of employees’ personal use of employer systems (Miller & Wells, 2007).
Discussion

The technological environment in which we work is constantly changing. It is critical that companies carefully analyze their monitoring and internet usage policies on a regular basis to take these changes into account. It is also crucial that employees fully understand the policy, as well as all of its ramifications. There are a number of psychological implications regarding employee morale and motivations that are directly affected by the company’s monitoring policies. Employers must think through their entire working environment and weigh each risk in order to make educated decisions regarding their policies. Employers must also keep a very close eye on different legal requirements in the areas in which they operate, as the legal requirements are also attempting to keep up with some of these technological changes, as evidenced by the differing legal requirements in California as opposed to federal statutes. For example, if a company will look at any social networking sites, this needs to be added to the company policy so that all employees are aware.

A strong relationship between employees and employers is based on trust. However, trust is a two-way street. In order for employees to trust their employers, employers need to be fair, transparent, honest and up-front about their monitoring practices. Employees also have a role to play. They must take the employer into consideration and handle themselves on company-owned computer systems in a professional manner, as well as keep personal use of those computer systems to a minimum. Employees should also consider any statements made on social networking sites as permanent and public, even if their settings are “friends only.” Furthermore, if employees have any grievances with their employer or their immediate supervisor, those issues should be handled in an assertive and direct manner with the persons involved in the conflict. Making disparaging remarks on social media could break the bounds of trust that the employer has placed in the employee.

In the US, monitoring of employees is both allowable and necessary for a number of different reasons. All monitoring should be for the benefit of both the business and the employee. Avoiding costly litigation is beneficial to the employees in the long run because it has the potential to harm their future at the company. Furthermore, monitoring is oftentimes used for critical employee feedback. Employers must ensure that all monitoring and the reasons behind the monitoring are transparent.

Limitations of Research

Research conducted for this paper consisted of a review over various literatures available on the topics of employee monitoring, employee motivations, employee privacy, and the legal framework regarding employee privacy in the United States. Due to the basis of this paper being largely focused on the research of others, there was no statistical analysis or any organic research conducted.

This paper focused mainly on the United States, however many of the literature researched included comparisons to other countries, namely legal requirements in Europe. While European guidelines can be compared to the US, one must take into consideration the existing cultural and legal landscape when making these comparisons. The US, for example, is a litigious society with many laws regarding various social concerns, such as racial discrimination and
sexual harassment. It is unfair to make comparisons to laws in other countries that do not have these concerns without taking these complex issues into consideration. This paper was focused on the US and thus, a comparison to other nations’ laws was not made or discussed.

Future Research

Many articles reviewed for this paper, studied employee motivations and performance monitoring, but more research is needed regarding the psychological implications of employers monitoring personal web usage. It appears that this may affect the trust the employer and employee have with one another, which if this is the foundation of most relationships, would profoundly affect the relationship employers have with their employees. Oftentimes, an employee may not feel comfortable discussing what they perceive to be minor issues at work, with a superior, however they still need to “vent” these frustrations in order to circumvent an emotional build-up or an explosion from occurring. If employees feel that they cannot express their grievances in a “private” setting in order to vent about the minor frustrations of their job, will this also hinder the working relationships between employers and employees?

Furthermore, there is a substantial amount of literature available on communication privacy and information privacy separately, but not as much on the relatively new phenomena of social networking, which combines the two aspects of communication and information privacy into one single channel. More research needs to be explored regarding society’s (or employee’s) expectations of privacy on these networks and the ramifications of employers utilizing these sources for hiring, retention, and disciplinary actions.

Another issue which was not discussed in depth in this paper and had very little literature available was the issue of permanence of many of these new technologies. For example, Google recently developed Google Cache, which stores information into permanent databases. Google takes “snapshots” of various websites periodically and stores it permanently. What this means for employees is that even if an individual on Facebook, for example, realizes that they want to delete a comment that they made publicly, Google may have saved and “cached” that comment as part of a permanent record. This is a very new and extensive application, the implications of which could be widespread and could deliver a devastating blow to some applicants and needs to be studied in depth.

Summary

Technology has greatly impacted our society in a plethora of ways. We are now able to work and coordinate with others in ways we never have before. Although technology allows workers a higher degree of flexibility, it also blurs the boundaries between work and one’s personal life. As a result, a dichotomy of sorts has surfaced between the privacy rights of employees and the rights of employers to protect their own systems. Some of these issues may have existed before but with emerging powerful technological tools that are available today, boundaries are constantly tested.

There are no clear cut or easy solutions regarding this complex issues. Employees feel they have a right to keep their personal information private. At the same time, employers need to monitor in order to protect the business from threats. There is very little guidance from the US legal system at this point, so employees and employers must strike their own balance.
The first step in creating this balance is through well planned and executed notifications of all monitoring that may occur. All usage policies must be written in plain English so that the information is easily comprehended by all employees. Second, the employer must ensure that any private information that may be obtained is kept confidential. Third, the employee must use a high degree of common sense. For example, if an employee knows that the employer monitors personal web usage, then that employee should not be visiting websites on the employer’s computer system that could be of questionable content. When employers and workers are able to successfully strike a balance between privacy and monitoring, a stronger bond will be built in their relationship. This stronger bond based on trust will then result in higher productivity and creativity.

References


NETWORK DIMENSION OF HUMAN RESOURCE MANAGEMENT

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Abstract

This article examines Wamsley’s (2001) notion of the network dimension of meaning. Applying it to the field of public human resource management in an effort to improve public administrators’ understanding of this critical management process. Using Goffman’s (1973) idea of “front” and “back” stage realities, this article explores three specific processes of public sector human resource management: recruitment and hiring, adverse action, and collective bargaining. This article then examines three case studies from the field of public administration evaluating each of them in respect to the aforementioned processes with Goffman’s (1973) contextual backdrop and how they relate to the network dimension of meaning. Finally, this article offers some thoughts on how civil servants may use this dimension of meaning in their daily routines.

Key Words: Network Theory, Human Resource Management, Front Stage, Back Stage

There are multiple perspectives with which to view the activities of any work environment. There is more than one way to look at any given situation. Many factors influence how people perceive their work setting. Situational factors or context determine, in part, how we “see.” Individuals’ personal experiences bear on how they interpret circumstances. Where they color their environment based on life lessons.

No matter what perspectives people use they are all trying to do one thing. They are trying to make meaning out of the world in which they live. People create social realities through meaning attribution and dialogue (e.g., Berger & Luckmann 1967; Burrell & Morgan 2007; Guba 1990; Morgan 1980; Weick 1995).

Though peoples’ perspectives are multifaceted, Gary Wamsley (2001) offers five dimensions of meaning people may use to improve their understanding of their world. Regarding management processes in particular, he argues,
we must understand that management processes have different
levels of meaning, depending on who views, experiences, or
analyzes them and from what level they attribute meaning---
different realities. Yet the literature of public administration,
as well as our thinking and talking about management processes,
fails to take note of this fundamental characteristic (Wamsley 2001, 3).

Wamsley’s (2001) premise of a common assumption of objective reality (i.e., an
objective, positive perspective) is found in the literature (e.g., Rainey 2003). However, there are
an increasing number of scholars who are writing from more subjective, existential perspectives
challenging Wamsley’s (2001) assertion (e.g., Ferlie, Lynn, & Pollitt 2005). Public
administrators may be more effective in their service being cognizant of, understanding, and
appreciating Wamsley’s (2001) dimensions. These five dimensions are: societal,
partisan/political, institutional/organizational/interorganizational (i.e., network), management
and operational/technical/instrumental (Wamsley, 2001). It is this third dimension, the network
dimension of meaning, which is the focus here.

The purpose of this article is to examine the network dimension of meaning as it applies
to public sector human resource management (HRM) to improve civil servants’ understanding of
this critical management process. First, the essay explores the field of HRM and some of the
tenets of the network dimension. Second, it introduces Erving Goffman’s (1973) idea of “front”
and “back” stage presentation of “self” in everyday life as a way of examining specific processes
within HRM. Third, this writing provides three case studies to which the network dimension of
meaning is applied; examining each situation using Goffman’s (1973) notion. Fourth, this article
offers some thoughts on how public servants may use this dimension of meaning in their daily
routines.

Overview of Public Sector HRM

Human resource management grew out of the civil service reform movement (CSRF).
Reform was initiated in large part as a response to the administration of President Andrew
Jackson and the assassination of President James Garfield (Ricucci & Naff 2007). Jackson’s
political system was predicated on spoils.

The spoils system was a continuation of patronage and nepotism in government since the
founding of the Republic. To maintain their sphere of influence and control politicians placed
loyal supporters in positions of power without regard to qualifications or abilities. Politicians like
Jackson believed without supporters in prominent positions government could not function
properly. By Jackson’s second term department heads throughout the federal government began
to recognize the necessity of having qualified, competent people in positions of management
(Crenson 1975; Hoogenboom 1982).

Jacksonian spoils provided the impetus for the first real reform when members of
Congress became disenchanted with pervasive administrative incompetence. This
disillusionment led to the Pendleton Act of 1883, introducing the first merit system into the federal civil service. The merit system required job applicants to pass open, competitive civil service examinations to demonstrate competency. After initial success at the federal level local officials in various municipalities began to champion reform. Reform eventually filtered down from the federal level to state and local government (Brudney, Hebert, & Wright 1999; Hoogenboom 1982; Riccucci & Naff 2007).

Between 1883 and the 1970s there were few minor attempts to influence reform. The next large push for the CSRM came in 1978 during the Carter administration with the passage of the Civil Service Reform Act (CSRA). The CSRA of 1978 restructured the personnel process in the federal government and strengthened the merit system. In the 1990s and into the new millennium there has been further reorganization within federal HRM processes with the CSRAs of 1996 and 2002 as well as national security reforms post 9/11 (e.g., Brook & King 2008; Hoogenboom 1982; Riccucci & Naff 2007).

State-level civil service reforms (i.e., at-will employment) originating in Georgia in 1996 have gained ground becoming more widespread (e.g., Battaglio & Condrey 2009; Battaglio & Condrey 2006; Bowman & West 2007; Condrey 2002; Condrey & Battaglio 2007; Condrey & Maranto 2001; Facer 1998; Gossett 2002; Gossett 2003; Kellough & Nigro 2006; Kellough & Nigro 2002; Kuykendall & Facer 2002; Selden 2006; Selden, Ingraham, & Jacobson 2001; West 2002; Woodard 2005). Reforms, such as at-will employment, have taken hold in Florida (e.g., Bowman 2002; Bowman & West 2006), Texas (e.g., Coggburn 2006), and Utah (e.g., Green, Forbis, Robinson, Nelson, Seelig, & Stefaniak 2007). Civil service reform at the federal and state levels remains strong and continues to evolve (e.g., Bowman & West 2007; Brook & King 2008).

The influence of the CSRM on personnel processes has shaped contemporary HRM. Implementation of the merit system created a need for appropriate testing procedures which affected the process of hiring and firing. HRM encompasses a wide array of functions including recruitment, planning, job classification, compensation, examination, selection, equal employment opportunity, affirmative action, productivity, quality improvement, labor relations, administrative law, performance appraisal, training, motivation, and development issues (Ivancevich 2003).

HRM has grown since the Pendleton Act of 1883. It has become a highly professionalized discipline structured toward meeting the needs of employers as well as employees (Ivancevich 2003). In the 1970s scholars began to address issues regarding HRM functions with respect to alternative perspectives of central personnel department staff, managers, and employees (e.g., Klingner & Nalbandian 1978). These alternative perspectives are better understood today (Klingner, Nalbandian, & Llorens 2010). With this improved understanding and the focus on networks and collaborative partnerships (e.g., Kettl 2002; LaPorte 1996; O’Leary 2006; O’Toole 1997; Provan & Milward 1995) public administrators in contemporary HRM should understand the network dimension of meaning perspective (Wamsley 2001).
Tenets of the Network Dimension of Meaning

The network dimension of meaning is also known as the institutional/organizational/interorganizational perspective. Struggles between policy subsystems occur at this level. Bureaucratic politics is a prevalent factor within this dimension. Policy entrepreneurs operate, establishing and working within existing social/relational networks and alliances, in this arena (e.g., Kettl 2002; LaPorte 1996; O’Leary 2006; O’Toole 1997; Provan & Milward 1995; Wamsley 2001). A civil servant employing the network perspective should be aware of power relations. They ought to be able to navigate the highly political environment of networks and the institutions and organizations wherein they exist. Exploring the concepts of bureaucratic politics, policy subsystems, policy entrepreneurs and social/relational networks will equip administrators with a better understanding of the network dimension of meaning (e.g., Wamsley 2001).

Bureaucratic Politics

Bureaucratic politics is a framework used by Graham Allison (1971). It has since been expanded by many scholars in a variety of disciplines (e.g., Allison & Zelikow 1999; Baumgartner & Jones 1993; Brower & Abolafia 1997; Michaud 2002). Allison (1971) argues power structures matter in decision making.

Actors with the most influence shape policy. The bureaucratic framework rejects earlier models of rational decision making. The policy process is too complex for a rational model to be able to explain it with any accuracy. Decision making in the policy process is analogous to a bargaining game. A game where players’ positions are determined by the place they occupy in the decision making apparatus (e.g., Allison 1971; Michaud 2002).

Policy actors are arranged in concentric circles relative to their proximity to the policy in question. These “action channels” (Allison 1971) permit one to identify who can do what throughout the policy process in relation to proposing, amending, and vetoing an action. “It is the level of power each player possesses according to the rules of the game as well as the information available to each one that will determine the ‘winner’ with respect to the decision being made (Michaud 2002, 274).

Allison and Zelikow (1999) refine the idea of bureaucratic politics asserting when organizations themselves are treated as political players, then true bureaucratic politics occurs. Organizational culture becomes an important idea when thinking about bureaucratic politics (Drezner 2000). Policy subsystems should be considered within the network dimension of meaning given the policy process is non-rational and involves more than one influential decision maker. Allison and Zelikow (1999) write, “the ‘maker’ of a government policy is not one calculated decision-maker, but rather a conglomerate of large organizations and political actors who differ substantially about what their government should do and who compete in attempting to affect both governmental decisions and the actions of government” (p. 42).

Policy Subsystems

Policy subsystems are the interrelated relational links between organizations and individual policy actors (e.g., Baumgartner & Jones 2002; Bickers & Williams 2001; Birkland 2005; Howlett & Ramesh 1995). Included in a policy subsystem may be interest groups,
members of Congress, congressional staffers, governmental agencies, and program beneficiaries. Stein and Bickers (1995) argue there are at least three actors in every policy subsystem: legislators, agencies, and organized groups. They point out subsystems are relatively permeable. Different actors bring varying levels of preferences with them which are interjected into the policy making process (Stein & Bickers 1995). A central tenet of any policy subsystem is that the actors involved in the nonlinear, seemingly random policy process each use their own power in an attempt “to pursue his or her goals, but requires the cooperation of other actors in the subsystem” (Stein & Bickers 1995, 6).

Six factors indicate the presence of a policy subsystem. First, actors view themselves as being part of a semiautonomous community. The existence of generated reports, documentation pertaining to a given policy topic, and official meeting minutes all support the contention that a semiautonomous community exists (Sobeck 2003).

Second, participants have an area of expertise in common. Third, actors desire to influence policy over an extended period of time. They seek to forge and re-forge social relationships with a strategic eye cast toward the future (Sobeck 2003).

Fourth, there are participants within each organization that participate in the subsystem at all levels specifically tasked to deal with the policy issue at hand. Examples include congressional staffers and assistant agency directors. Fifth, there are interest groups within larger interest groups, with each subunit or individual pursuing their own agenda. Sixth, members include actors not typically viewed or thought of as traditional policy players, ranging from low-level office aides to directors of agencies (Sobeck 2003). Actors within policy subsystems may actually evolve into, or adopt the role of, policy entrepreneurs.

**Policy Entrepreneurs**

Policy entrepreneurs are actors within policy subsystems who wait to exploit a convergence of factors (i.e., a policy window) at the most opportune time to make effective policy changes outside the status quo (e.g., Doig & Hargrove 1990; Kingdon 2010; Lewis 1980; Riccucci 1995; Roberts & King 1996). At these times less powerful policy actors can increase their power and cause equilibrium within the system resulting in change (Kingdon 2010). The emphasis here is on the actor’s personal motivations and varying levels of power (Michaud 2002).

Policy entrepreneurs may also be organizations (Allison 1971). Policy entrepreneurs can originate from society, the bureaucracy, and political institutions. Actors may come from groups including appointed officials, research organizations, mass media, and elected representatives (Howlett & Ramesh 1995; Mintrom 2000). Policy entrepreneurs should cultivate relationships with other policy actors in the subsystem. These social/relational networks are the last ingredient within the network dimension of meaning.

**Social/Relational Networks**

Social/relational networks are relationships, or sets of relationships, that develop and exist as an extension of organizations. Many scholars and practitioners have written about social/relational networks (e.g., Howlett 2002; Jones, Hesterly & Borgatti 1997; LaPorte 1996; McGuire 2000; Scott & Christensen 1995; Wolf & Wamsley 2001). Within organizations there
are formalized hierarchical structures that regulate the running of the operation(s) for which the organization and its subunits were created.

Networks are intra- and inter–organizational entities which vary in cohesiveness. For example, some networks can be informal, fragile, and ad hoc while others may be characteristic of more traditional bureaucracies. Connections with networks can become more stable over time as experiences, relationships, and shared histories continue to grow (Wolf & Wamsley 2001).

Network relationships are mutually reinforcing. Support for the relationship is a two-way process between actors. These reciprocal relationships, while not as dense or as permanent as formal organizations, are critically dependent upon built trust and consolidation of shared resources. Some networks evolve into semi-coherent administrative units. Some writers have argued networks are the means by which organizations change formally; that networks are really just the birth pains of formal organizational change (Thacher 2004). Networks typically consist of established, predictable relationships replete with governing rules and earned legitimacy, regardless of how they are viewed (Wolf & Wamsley 2001).

With a clearer idea of the network dimension of meaning we can consider how administrators operating in this dimension view the process of HRM. A network perspective entails a different set of assumptions about HRM then a societal perspective does. The network lens may help shape and refine how a public manager ought to act in a given situation. It is useful to reflect upon the tenets of the network dimension of meaning when examining the following case studies to gain a greater appreciation for the overall perspective. Reflecting on how it may influence administrators’ actions. Before moving on to the case studies, however, it is necessary to discuss the framework used to evaluate each case; Goffman’s (1973) notion of front and back stage realities.

Presentation of Self: Front and Back Stage Realities

Goffman (1973) attempts to illuminate ways human beings communicate with each other in their social interactions. His focus is not limited to the act of communicating through language; it is also on the act of communicating nonverbally. He asserts individuals will present themselves in such a way, consciously and unconsciously, as to allow observers to formulate opinions and expectations concerning them (Goffman 1973).

He writes, the individual

may wish them [the observers] to think highly of him, or to think that
he thinks highly of them, or to perceive how in fact he feels toward
them, or to obtain no clear-cut impression; he may wish to ensure
sufficient harmony so that the interaction can be sustained, or to
defraud, get rid of, confuse, mislead, antagonize, or insult them.

Regardless of the particular objective which the individual has in mind
and of his motive for having this objective, it will be in his interests to
control the conduct of the others, especially their responsive treatment of him. This control is achieved largely by influencing the definition of the situation which the others have come to formulate, and he can influence this definition by expressing himself in such a way as to give them the kind of impression that will lead them to act voluntarily in accordance with his own plan (Goffman 1973, 3-4).

It is this calculated presentation of self that implies two separate “realities.” The perceived reality (i.e., the presentation of self) and the actual reality (i.e., who the person really is or how they really act) (Goffman 1973).

Goffman (1973) discusses these two realities in detail. He uses the analogy of theater to explain his ideas. He explores these two realities as the front and back stages. In his analogy, individual participants are actors playing roles (Goffman 1973). Goffman (1973) focuses his attention on the dramaturgical problems involved with “presenting the activity before others” (15).

Encounters are face-to-face interactions participants engage in; the milieu in which social relations occur. These personal interactions serve a reciprocal influence on all parties involved in any occasion. The activity occurring during these encounters is known as the “performance” (Goffman 1973).

Performances are the medium through which actors influence other participants. Goffman (1973) maintains those who “contribute to the other performances” (16) are the audience, co-participants, or observers. A routine or part in this theatrical analogy is the “pre-established pattern of action which is unfolded during a performance” (Goffman 1973, 16) and which may very well be played again on future occasions. Goffman (1973) argues “when an individual or performer plays the same part to the same audience on different occasions, a social relationship is likely to arise” (16).

This consistent reenactment of a part portrayed by an actor is the means by which social/relational networks mature. It is also important to remember actors terminate their performance when they have vacated the setting. Goffman (1973) discusses these different regions in terms of front and back stage.

**Front Stage**

Front stage refers to the fabricated presentation of self to others. It also refers to the area in which that interaction or performance occurs. Goffman (1973) writes, “front” is … “that part of the individual’s performance which regularly functions in a general and fixed fashion to define the situation for those who observe the performance” (22). “This front stage is equipped with appropriate props, such as physical layout, décor, and furniture, which assist the actor in his or her portrayal of his or her part” (Goffman 1973).


Back Stage

Back stage is where actors step out of character to behave as they normally would without an audience. This is where reciprocal

first-naming, co-operative decision-making, profanity, open sexual

remarks, elaborate griping, smoking, rough informal dress, ‘sloppy’

sitting and standing posture, use of dialect or sub-standard speech,

mumbling and shouting, playful aggressivity and ‘kidding,’

inconsiderateness for the others in minor but potentially symbolic

acts, minor physical self-involvements such as humming, whistling,

chewing, nibbling, belching, and flatulence [occur]. The front stage

behavior language can be taken as the absence (and in some sense the

opposite) of this (Goffman 1973, 128).

Back stage is where “the suppressed facts make an appearance” … “a place, relative to a given performance, where the impression fostered by the performance is knowingly contradicted as a matter of course” indeed it is a place where the “performer can relax; he can drop his front, forgo speaking his lines, and step out of character” (Goffman 1973, 112). Because the back stage region is where “secrets of reality” are kept from the audience it is a place that is kept closed-off to members of the audience (Goffman 1973).

Some regions serve as both front and back stages depending on the situation and the time of use of the area. For example, a facility director’s office may be employed as a front stage when hosting an official meeting of managers or visitors. Conversely, it may be used as a back stage arena by the director when he is alone to loosen his tie, kick off his shoes, and relax (Goffman 1973).

Teams

A final element of Goffman's (1973) framework is his notion of teams. Goffman (1973) makes the argument that “the personal front of the performer is employed [oftentimes] not so much because it allows him to present himself as he would like to appear but because his appearance and manner can do something for a scene of wider scope” (77). The performer is many times working primarily on his organization's image (Goffman 1973). This coincides with the idea of an organization as an actor within a policy subsystem and the occurrence, indeed perpetuation, of bureaucratic politics which is a critical component of the network dimension of meaning.

Goffman (1973) uses the term team (short for performance team) to refer to a group of individuals who come together and cooperate in contriving a single routine. This team concept allows room for performances staged by multiple actors. A basic component of the relationship between team members is that they must mutually support one another because any one team
member can spoil the performance and ruin the illusion, disintegrating the suspension of disbelief (Goffman 1973).

A "teammate is someone who's dramaturgical co-operation is dependent upon fostering a given definition of the situation" (Goffman 1973, 83). Goffman (1973) writes, a team may be defined as a set of individuals whose

intimate co-operation is required if a given projected definition

of a situation is to be maintained. A team is a grouping, but it is a

grouping not in relation to a social structure or social organization

but rather in relation to an interaction or series of interactions in which

the relevant definition of the situation is maintained (104).

With Goffman's (1973) framework, we now proceed to an analysis of three case studies evaluating them using his contextual lens. Applying Goffman's (1973) front and back stage concepts public administrators can better understand HRM from the network dimension of meaning perspective.

Case Studies in Public Sector HRM

Goffman's (1973) concept of front and back stages can be used to analyze many instances within public HRM. The focus here is on three issues: recruitment and hiring, adverse action, and collective bargaining. These are classic areas of HRM that depend heavily on social relationships. They are useful examples to examine from the network dimension of meaning perspective. Though these examples are basic, contemporary HRM specialists can use the network dimension of meaning to examine the “interaction of competing and cooperating alternative systems (employees, elected and appointed officials, contractors, non-standard-work-arrangement employees or individual contractors, volunteers, union members, etc.)” (Anonymous 2011).

The Fire Department Fiasco: Truth in Recruitment and Hiring Decisions

Case Background

A fire department in a midsize city hired three full-time firefighters. The candidates were selected after a rigorous screening and multistage selection process including physical and written testing, a police background check, a self-reported information questionnaire, a polygraph examination, and an oral review board. The process was within federal guidelines and law which mandated certain considerations such as equal employment opportunity and affirmative action. The three men were offered positions with the city's fire department despite failing one or two stages of the recruitment and hiring process. Being hired as full-time firefighters and receiving pay they also passed their probationary period unscathed. The truth of the matter reveals an ethical dilemma many public administrators in HRM may face (Haraway & Kunselman 2006).
Front Stage

The formal recruitment and hiring procedures the city had in place at the time of the hiring of the three firefighter candidates provides us with a theatrical performance. The reality the city and the fire department presented is one of being in accordance with employment laws and policies that exist to ensure equity, equality, and safety within our public organizations and our communities. The process was rigorous and conformed to existing best practices in HRM. The guidelines were devised and implemented by highly educated and competent public administrators well versed in the law (Haraway & Kunselman 2006).

The first phase of the recruitment and hiring process included an official application to the city, a criminal background check conducted by the police department, a self-reported informational questionnaire, a police department administered polygraph examination, a physical agility test, and an oral review board process including an oral interview panel. The top five candidates were interviewed by the appropriate department head, in this case the fire chief, when openings became available. The referrals of the candidates were sent to the appropriate department head from the HRM office (Haraway & Kunselman 2006).

The referrals were necessary because unqualified candidates were indicated on the roster. It was important for procedural safeguards to be in place, especially in the area of public safety, so the city could remain in compliance with established policy which was based on sound employment law. Hires could be made at the discretion of the department heads as long as they had a justification sent in writing to the HRM director which was subject to his approval (Haraway & Kunselman 2006).

Back Stage

In reality the three firefighter candidates had all failed the professionally administered polygraph examination. They also self-reported they engaged in drug use, distribution of drugs, and grand larceny. They should not have been hired (Haraway & Kunselman 2006).

Despite this blatant disqualification the fire chief decided to take unilateral action and hire the candidates anyway without giving justification or obtaining permission from the HRM director. An internal investigation was launched when the polygraph examiner, a police department employee, brought this to the attention of the HR department. Evidence was found through documentation and interviews that the alleged facts did indeed occur. Through the course of the HRM department’s investigation it was discovered informal networks and power structures were to blame for the fiasco (Haraway & Kunselman 2006).

When confronted with the evidence the fire chief claimed he had been under political pressure from many areas. Two of the three candidates had been volunteer firefighters in the same city, and the city manager had been pressuring the fire chief to improve relations between active-duty firefighters and volunteers because the volunteer firefighters held political clout. The volunteer fire chief had exerted external pressure on the city’s full-time fire chief to accept the two candidates by contacting him himself. The volunteer fire chief also let the other volunteer fire chiefs and two prominent members of the city council know of the situation who all informally called on the fire chief. The fire chief stated he hired the third firefighter candidate because it was the “fair thing to do” (Haraway & Kunselman 2006).
The city manager agreed to dismiss the three firefighters during their probationary phase when the situation was brought to the city manager's attention. The HRM director pointed out the fire chief's actions were unlawful as well as unethical and the city could be held legally responsible. The city manager wanted to wait until an important fiscal issue regarding the fire department went before the city council and was voted on given the potential political ramifications involved. This vote occurred after the probationary period had ended. As a consequence the three firefighters remained in their positions and were never terminated (Haraway & Kunselman 2006).

Discussion

The front stage was a carefully crafted façade created to placate and reassure the community, to give citizens a false sense of security, and foster the impression the city's recruitment and hiring procedures and decisions were within the requirements of federal law. The actor in the performance at first was the fire chief playing the part of a confident, by-the-book administrator for the benefit of the HRM department and other city administrators. Later, the entire city hierarchy that was involved with or had knowledge of the circumstances were complicit in that, for the good of the city or the preservation of their jobs, they portrayed to the public a performance suggesting nothing was wrong and that the three new firefighters were qualified and safe to be unleashed on the community.

Back stage was entirely different. This is where much was going on in reality that was in direct contradiction to the image the city portrayed when under the lights of the proscenium and the watchful gaze of the audience. Because of the informal networks operating behind the scenes there was enough political pressure, power, and influence to ensure that not only were the unqualified candidates hired but that they did not lose their jobs.

The situation was covered up with the audience none the wiser. In Goffman's (1973) words, the actors came together as a performance team. As is often the case, who an individual knows and what connections he or she has will be more powerful and more of a determining factor in whether or not he or she gets hired or fired than anything else, even disqualifying marks.

If the networks were ignored and the facade would have been torn in two, trust in the system and city government would have suffered. However, trust in public servants is a crucial element that needs to be maintained if they are ever to serve the public meaningfully. This case serves as a reminder about how important it is for public administrators to be aware of the network dimension of meaning and understand the political environment, rife with power imbalances and influence, in which they operate.

Uniforms in the Closet: Adverse Action in the United States Navy

Case Background

In 1997, a senior chief petty officer (SCPO), Timothy McVeigh, was discharged from the Navy based on a homosexual admittance. HRM personnel claimed SCPO McVeigh openly stated he was gay. An 18 year career naval enlisted man, SCPO McVeigh had to defend himself in federal court. The outcome was SCPO McVeigh, who denied allegations he was homosexual, was reinstated by a federal judge who held the Navy was in violation of the United States
military's “Don’t Ask, Don’t Tell” policy. SCPO McVeigh and the Navy reached a settlement under which, in return for his early retirement, he received a payment of $90,000 for incurred legal fees and full retirement benefits (Egan 1998).

Front Stage

In the early 1990s, President Bill Clinton, under pressure resulting from an announcement revealing his intention to eradicate the ban on homosexuals serving in the United States military, implemented a policy prohibiting homosexuals from serving in any capacity. He proposed a relatively weak compromise in domestic policy known as “Don’t Ask, Don’t Tell, Don’t Pursue.” This policy was agreed to by Clinton's administration, the Pentagon, and Congress. Homosexuals and bisexuals are allowed to serve in the military as long as they do not enlighten anyone as to their sexual orientation or preference, forgo homosexual marriage, and do not engage in any homosexual acts (Egan 1998).

The policy restricts investigations of military personnel without credible information indicating they are homosexual. The agreement also stipulates the military cannot question personnel about their sexual orientation (Egan 1998). The stated goal “is to allow homosexuals to serve while preserving morale and unit cohesion” (Egan 1998, 27). The policy’s guidelines are frequently not met. In reality, the policy has made the lives of many military personnel who are gay more difficult because of the attention it has directed toward them (Egan 1998).

Back Stage

The interesting aspect of “Don't Ask, Don't Tell” is the Navy’s personnel department frequently attempts to circumvent the spirit and intent of the policy by stretching the interpretation of its guidelines. The Navy lost its case in federal court because of the way they interpreted SCPO McVeigh's homosexual admittance. In truth the admittance was an anonymous posting on the Internet through a large provider in which he listed his marital status as “gay” (Egan 1998).

Discussion

The stated guidelines of the “Don't Ask, Don't Tell, Don't Pursue” policy are the front stage. The presentation of this pseudo-reality by the actors, the personnel department of the Navy, is they adhere strictly to the policy as outlined. Statistics from 1997 show homosexual discharges have risen by 67 percent since the policy's inception. They exist according to the actors because of the increase in what they call statement cases. Cases such as SCPO McVeigh's alleged homosexual admittance (Egan 1998). They play out this part in routine team performances in encounters during official inquiry boards where the accused servicemen and women are the audience. The American government outside of the military and the citizenry are also observers of this performance.

In reality, which is to say the back stage, the Navy actively searches for homosexuality. It investigates naval personnel who have allegedly admitted to homosexuality. A group known as the Legal Defense Network believes “the rise in discharges indicates that commanders are continuing to seek out homosexuals despite the fact that they are no longer supposed to” (Egan 1998, 27). Because of this reality many men and women in the armed services at large are suffering unduly from this inequitable attention. As Rudy de Leon, the Under Secretary of
Defense for Personnel and Readiness, put it in 1998, “I think we’re at the heart of some of the conflicts that are built into the policy, which tries to balance many competing interests” (Egan 1998, 28).

In this case, there are two different instances of informal networks. There are also two troupes of actors. There is the United States Navy’s personnel department, which actively seeks out and uses confidential informants to identify homosexuals in the service. This informal network allows them to, in contravention of the official rules, ferret out suspected gays while formally allowing them to present as their public face compliance with the policy. From the network dimension perspective they are the actors who are performing for the public and to a lesser extent the unmasked homosexuals still in naval service.

Then there are the homosexual servicemen and women who lead lives of quiet desperation in fear of the Naval Investigative Service and its henchmen. This hunted minority forms informal networks with other members of the service who are also gay. They take refuge in the company of others like them in sexual orientation and attempt to carve out semi-normal lives within this in-group that helps make life in the Navy bearable (Egan 1998).

The homosexuals still hidden are actors portraying themselves as heterosexual, hard-charging members of the U. S. military. Going so far as to use props such as homosexual friends of the opposite sex posing as their girlfriends or wives, strategically placing photos of contrived loved ones on their desks at work, and by not getting mail at sea or greeted in port by anyone of the same sex, all in an effort to create the necessary charade needed to pull off their part (Egan 1998). In this situation, the heterosexual Navy is the audience that is trying desperately to catch an actor “out of character.”

**Collective Bargaining in Memphis**

**Case Background**

Sanitation workers went on strike in Memphis, Tennessee in 1968. The city entered into a collective bargaining process with the workers in response to this all-out strike. As a result of the strike, the American Federation of State, County, and Municipal Employees evolved into a powerful entity within Memphis demonstrating employees wield power when collective action is taken (Bent & Reeves 1978).

Another outcome of the strike was the city began keeping detailed records and accounts of the costs of sanitation. This rose out of a need to negotiate more effectively from an informed position with the sanitation workers and their representatives. This not only helped collective bargaining negotiations in this instance, it also assisted in the budgeting process for the following year (Bent & Reeves 1978).

The Sanitation Department was separated from the Public Works Department. The personnel costs in Memphis were impacted through collective bargaining. Employee wages were increased across the board. Pay equity was initiated to ensure “equal pay for equal work” resulting in African-American workers’ pay being elevated to match that of their Caucasian counterparts (Bent & Reeves 1978).
Front Stage

The official process for collective bargaining initiatives in Memphis involved many components. In relation to city employees’ work practices, benefits, and salaries, the mayor, with the approval of the City Council, was the government official vested with the authority to take administrative actions concerning these areas. The mayor, in practice, delegated the majority of his authority to the Director of HR for the city and designated him chief negotiator. The HRM director responded to proposals and provided counterproposals prior to negotiations (Bent & Reeves 1978).

The process for collective bargaining began with the union serving notice it desired negotiations. The city responded to this initial notice and arranged a preliminary meeting. Subsequent meetings were planned. The city responded with specific issues it wished to have addressed. Budgetary considerations were acknowledged and discussed because sanitation workers were striking in hopes of gaining a salary increase. The city had to determine where the money would come from and be as informed, prepared, and knowledgeable as possible prior to the actual negotiations (Bent & Reeves 1978). This is the process as it was officially outlined within the city of Memphis's collective bargaining policies.

Back Stage

In reality, the process is not as straightforward as it appears. Not only did the HRM director engage in informal telephone conversations with the union representatives and the budgeting office he also secretly planned his routine. He rehearsed for his part. The reality is preplanning went into the budgeting process before the beginning of the new fiscal year. Memphis had an unofficial policy for negotiating collective bargaining settlements related to pay increases after the yearly tax rate was set. Since the negotiation cycle, for most city employees, was not timed to coincide with the budgetary cycle, Memphis allowed room in their budget for unexpected negotiations (Bent & Reeves 1978).

In addition to this budgetary preparation, the “city is aided in determining fiscal limits in that it generally knows which unions [most likely based on previous network relations] it will be negotiating with and what their demands will be” (Bent & Reeves 1978, 134). Because the city calculated a detailed costing of all collective bargaining requests the negotiator for the city, the HRM director, “knows at each step the cost liability of any increase he may make” (Bent & Reeves 1978, 135). As a consequence of this predetermined, detailed knowledge, the negotiator retained the balance of power throughout the encounters because he could present actual budgetary figures where the audience (i.e., union representatives) was unaware of how much a given salary increase would equate to in total cost to the city (Bent & Reeves 1978). In point-of-fact,

in drawing up the budget the city does not specifically earmark
a certain sum of money for anticipated personnel cost increases
and then designated it as such. To do so would be showing its hand
to the union negotiators … [in effect the city had] concealed money
in the budget for the negotiation process … [consequently] the amount was not … telegraphed to the unions on the front end (Bent & Reeves 1978, 135).

This was done back stage and the performances during the encounters concealed this reality.

The city representatives were always negotiating from a strong position. They knew the general wage packages they were confronting in the collective bargaining process because of this well-prepared routine. The HRM director had a psychological advantage over the sanitation workers’ union representatives due to the upper-hand attained in the back stage region. The city received the union proposals first as a consequence of the official process. The city never tendered its final offer in the preliminary meeting (Bent & Reeves 1978).

The rationale for this is simple. As Bent and Reeves (1978) write, “at the bargaining table the union has to be able to show its members and its bargaining committee that it got the city to change from one offer to a higher offer” (136). Not only were the union representatives involved in the collective bargaining process as observers of the performance the city actors portrayed, they were actors themselves staging a performance for their own audience. Because this part of the negotiations was expected and understood by both parties involved in direct negotiations, they both indirectly agreed to engage in a certain routine for their mutual benefit. They played their respective parts.

Discussion

Front and back stage regions differ significantly in this case. The official collective bargaining process is the presentation of reality to the public and to the city council the city actors desired to portray. This process is presented as a highly rational, systematic endeavor that has linear steps and role bound actors.

Encounters were the face-to-face meetings between the HRM director and sanitation union representatives. The performances were negotiations that occurred during these encounters. The main illusion the city is trying to create is they are strapped financially and have no room to maneuver within the budget to award the audience the pay increase they were holding out for.

The part the city adopted is the routine they employed every time they dealt with city employees requesting raises. This pre-established pattern is what strengthens the social/relational networks between public sector employers and their employees. The network dimension of meaning serves to improve our understanding of how management processes, such as recruitment and hiring, adverse action, and collective bargaining really work. It serves to illuminate the importance of social/relational networks within HRM. With a better understanding of the network dimension of meaning we can examine some areas where public administrators can benefit from this knowledge.

Using the Network Dimension of Meaning: Public HR Managers
Public administrators who understand the network dimension of meaning have many advantages. Goffman’s (1973) ideas help illuminate this dimension as it actually exists. There are many areas where civil servants can strive to be objective in their assessment of the situation while using an ever-increasing repertoire of contextual lenses with which to view circumstances.

Public administrators could view recruitment and hiring, adverse action, collective bargaining negotiations, interactions of competing and cooperating alternative systems, and collaborative partnerships (public, private, and nonprofit) through this lens, heading-off potential trouble. The network dimension of meaning could be applied to organizational learning and training initiatives. Intra- and inter- organizational communication via social/relational networks between different departments and agencies could benefit from a network view.

Cross-fertilization of ideas occurs through networks. Where understanding a network means information and knowledge are not summarily discounted just because it did not originate within the in-group. Organizational culture in relation to organizational learning becomes paramount with the transference of institutional knowledge that is handed down through the generations via networks. With training initiatives much of the same rules apply.

Professional associations and employment entrance examinations may benefit from a network perspective. Networks are developed and are important on many levels in professional associations. They matter when people are referring others for positions. Oftentimes it is the recommendation from someone who is trusted that gets an individual's foot in the proverbial door. It is through these professional associational networks that new ideas get communicated regarding best practices within HRM. The setting where, in addition to contacts, the seeds of future collaborative projects are envisioned, planted, and nurtured.

Networks are important in relation to entrance examinations so inequity does not creep in. By maintaining relationships with those who have expertise and/or experience in testing validation, situations like the infamous Duke v. Griggs Power (1972) case can be avoided. A network might become important to a job applicant who does not test well or freezes up but who has proven him or herself time and again to another person who has earned the legitimacy gained through network association to vouch for them. Someone who can pull the strings just enough to give them a break that could change their lives.

The potential for understanding and properly fostering networks and for using the network dimension of meaning by present and future public administrators is great. It is worth the time to evaluate every situation a public official faces to engage in viewing that situation from a multiplicity of perspectives to round out their understanding of their environment. To make meaning out of what they perceive.

Network dimension of meaning is useful to public administrators in general and particularly pertinent to public sector HRM. In conjunction with the other four dimensions of meaning the network perspective can provide administrators with a more thorough and holistic understanding of their world. Professionals using these different lenses can improve the organizations and communities within which they work and live.
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SEM EVALUATION OF THE CETSCALE: DOES IT WORK?

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Oklahoma City University

ABSTRACT

The CETScale was originally developed to evaluate consumer ethnocentric behavior in the United States. It has since been evaluated in a number of large countries with a large internal ‘domestic’ market. To date, few if any studies look at small open countries where there is a high level of foreign trade. This is highlighted by the warning given by Douglas and Nijssen (2003), where they express the inherent limits of the CETscale in international business research. This study takes steps to fix this oversight by examining the CETSCALE in Kenya, a small developing country without a large domestic manufacturing environment.

INTRODUCTION

Shimp and Sharma (1987) developed and tested the multi-item ‘Consumers’ Ethnocentric Tendencies Scale’ (CETSCALE) for the ‘contemporary American society’, noting that, “The concept of consumer ethnocentrism and its measurement via the CETSCALE are limited to contemporary American society … “Translating the scale into other languages and testing it into other countries is a needed next step.” (Shimp and Sharma 1987, p. 288).

This study takes up the challenge proposed by Shimp and Sharma (1987) to expand the validity of the CETSCALE into international settings. This is necessary due to the increasing inter-connectedness in the current business environment and the subsequent ‘globalization’. An understanding of the relevant similarities and dissimilarities in consumer purchasing behavior across and between countries is a critical step for international business strategy.

Previous studies have taken steps to apply to the CETSCALE in multiple countries (see for example Durvasula, Andres and Netemeyer 1997; Netemeyer, Durvasula, and Lichtenstein 1991). but have focused on large ‘western’ countries with only one study for a large developing country, China (Pereira, Hsu and Kundo 2002). In each of these cases, they are generally large countries with low levels of foreign imports or a large internal ‘domestic’ market. Additionally, Douglas and Nijssen (2003). further warn about using the CETSCALE in small open countries where there is, by nature, high levels of foreign trade. This study examines the CETSCALE in Kenya, the first study to examine the CETSCALE in a small developing country without a large domestic manufacturing environment.

LITERATURE REVIEW

To understand the basis of the CETSCALE, we must first explore the notion of Ethnocentrism. Ethnocentrism is based on an idea proposed by Sumner in 1906. It is the technical name for a view where one’s own group (country, race, religion, etc.). is considered the center with all other groups scaled in relation to it. Drever (1952). further defined ethnocentrism
as the tendency to think that the characteristics of one's own group is superior to other groups. This idea is based on two basic groups, the in-group and the out-group (Brislin 1993). In-groups are those groups with which the individual identifies themselves. Out-groups are those groups with which they do not have a sense of belonging. The in-group is considered to possess proper standards of behavior and provide protection from the ‘unacceptable’ behavior of out-groups. Further research found that familiarity with and openness to foreign cultures, as well as individualism (one of Hofstede [1980] original measures of cultural difference), reduces the tendency to be ethnocentric, whereas patriotism actually increases levels of ethnocentrism (Rosenblatt 1964).

Shimp and Sharma (1987) took the idea of ethnocentrism and applied to consumer behavior. They applied the term ‘consumer ethnocentric tendencies’ to represent the beliefs held by consumers regarding the appropriateness and morality of purchasing foreign products. Highly ethnocentric consumers view purchasing foreign products as wrong because it hurts the domestic economy, causes job loss and is unpatriotic. The consumers with low levels of ethnocentricity would evaluate foreign products based on the product’s own merit and not based on where it was produced.

Shimp and Sharma (1987) then created the CETSCALE, a multi-item scale that reflects the level of ethnocentric tendencies of the consumer when viewing and purchasing foreign products. As illustrated in table 1, the scale has 17 items and was originally designed for the study of “contemporary American society”. Since its introduction, it has been examined in multiple countries and scenarios including Russia and USA (Durvasula, Andres and Netemeyer 1997), China, India, and Taiwan (Pereira, Hsu and Kundo 2002), and France, Japan, West Germany and USA (Netemeyer, Durvasula, and Lichtenstein 1991). With these studies it would appear that the CETSCALE is well established. This is a misleading idea as it does not take into consideration small open countries that have high levels of foreign trade. A concern highlighted by Douglas and Nijssen (2003).

The survey participants are asked to respond to the following question on a 7 point scale from strongly disagree to strongly agree.

1. American people should always buy American-made products instead of imports.
2. Only those products that are unavailable in the U.S. should be imported.
4. American products, first, last, and foremost.
5. Purchasing foreign-made products is un-American.
6. It is not right to purchase foreign products.
7. A real American should always buy American-made products.
8. We should purchase products manufactured in America instead of letting other countries get rich off us.
9. It is always best to purchase American products.
10. There should be very little trading or purchasing of goods from other countries unless out of necessity.
11. Americans should not buy foreign products, because this hurts American business and causes unemployment.
12. Curbs should be put on all imports.
13. It may cost me in the long run, but I prefer to support American products.
14. Foreigners should not be allowed to put their products on our markets.
15. Foreign products should be taxed heavily to reduce their entry into the U.S.
16. We should buy from foreign countries only those products that we cannot obtain within our own country.
17. American consumers who purchase products made in other countries are responsible for putting their fellow Americans out of work.

**TABLE 1**

**ORIGINAL CETSCALE**

As mentioned earlier, the majority of these studies focused on large countries with low levels of foreign imports or a large internal ‘domestic’ market. The one exception is the study by Pereira, Hsu and Kundo (2002), who looked at China, India and Taiwan. It would be difficult to describe China as not being a large country, but Taiwan and India might be considered small emerging markets. To test these countries, the authors used structured equation modeling and goodness-to-fit indicators to validate the CETSCALE. This poses an unfortunate problem as indicators of goodness-to-fit are an inaccurate measure for a construct with a single latent variable. Generally, goodness-to-fit measures look at how well the current proposed construct fits versus other possible combinations. With a single latent variable, there is no other possible combination on which the factors can load. A better method would be to use a Confirmatory Factor Analysis (CFA) and evaluate each individual factor separately.

**METHODOLOGY**

Confirmatory factor analysis (CFA) represents a powerful and versatile approach for testing measurement constructs (Joreskog 1971). In this study, the CETSCALE is evaluated by use of CFA through LISREL 8.7. The respondents are from Kenya and are provided from a study performed by Dr. Attila Yaprak at Wayne State University. The original study, titled “Values and Transformation” consists of three parts, the original 17 question CETSCALE (Shimp and Sharma 1987), and two versions of the Rokeach Value Scale (1983). The survey was collected from eight countries during the years 2004 and 2005. After imputation, there is a total sample size of 337.

**RESULTS**

To examine the dimensionality of the CETSCALE, the CFA was used with a single latent variable (ethnocentrism) and 17 indicator variables (the individual CETSCALE questions). Figure 1 represents the original model with the factors loadings listed in table 2.
FIGURE 1
ORIGINAL MODEL

TABLE 2
ORIGINAL MODEL FACTOR LOADINGS

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<tr>
<th>Variable #</th>
<th>Factor Loading</th>
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<tr>
<td>Var 01</td>
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<tr>
<td>Var 02</td>
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<td>Var 16</td>
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<tr>
<td>Var 17</td>
<td>.54</td>
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</tbody>
</table>

TABLE 2
ORIGINAL MODEL FACTOR LOADINGS
When evaluating model constructs with CFA, the individual factor loadings are analogous to Cronbach’s Alpha. As such, the factor loadings (representative of construct reliability) should be greater than .70 (Hair et al.; 1998, Segars, 1997). Indicators with a factor loading less than .70 should be removed one at a time starting with the lowest value. Using a stringent value of .70 for individual factor loadings initially shows a lack of internal validity for the construct.

Academic business literature often accepts a lower level of explained variance. Applying this idea to SEM, it should be possible to relax the factor loading demands. Though no set value has been set, by dropping the factor loading to .60, it allows for the individual factor to still represent 36% of the explained variance. In this case, it was necessary to lower the factor loading to .60 in order for the model to load at all. Figure 2 represents the final model with the factor loadings listed in table 2.

![Figure 2: Final Model](image)

<table>
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<td>Var 03</td>
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<td>Var 09</td>
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<td>Var 11</td>
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**Table 3: Final Factor Loadings**
Discussion

This study does not support previous validations of the CETSCALE which focused on large western countries with large domestic markets. This study is the first to examine the CETSCALE in a small developing country reliant on foreign trade. Of the original 17 questions, only six loaded near the lower .60 factor level while the model does not load at all using the more stringent .70 factor level. This gives us reason to believe that the CETSCALE cannot be used as a universal scale for international measurement of consumer ethnocentrism. This may be due to the small size of Kenya or the inherent openness to foreign trade (Kenya is largely supported by tourism). Neither of which are apparent in previous countries studied.

The results highlight the necessity to develop and test international measures in multiple countries (Parameswaran and Yaprak 1987). More importantly, the results suggest that new measures need to be developed to handle smaller ‘non-western’ countries. In regards to the CETSCALE, it was developed to measure the effects of ethnocentrism on consumer purchase behavior in the U.S. Other countries may not have a consistent view of foreign countries, or high levels of patriotism for their own country, to be able to measure any form of ethnocentrism. In this regards a related but separate construct, such as cosmopolitanism (Cannon and Yaprak 2002), which looks at individual acceptance of foreign cultures in a more multi-dimensional form, may provide a better means of explaining international consumer behavior. At a minimum, future scale development should begin at a more qualitative level.

Special note must be given to certain limitations of the study. First, the data used was secondary and not collected for the purpose of testing the CETSCALE. It is unsure how the population was sampled. Kenya, similar to many African countries, speaks multiple languages and has different populations. This uncertainty makes it difficult to determine if the sample is truly representative of Kenya as a whole, or a sub-portion of the country. Nor are we able to attest to the integrity of the collection process.

Secondly, the study only looked at a single country. A study of this nature would provide additional information if multiple similar countries could be examined simultaneously. This would provide a means for comparative analysis and allow us to eliminate the possible spurious nature of our findings.

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LEADERSHIP AND VIOLENCE IN NIGER DELTA’S OIL COMMUNITIES:
A QUALITATIVE EXPLORATORY CASE STUDY

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Abstract

This qualitative exploratory case study examined the leadership factors that may be contributing to the violence in Nigeria’s Niger Delta’s oil communities. The study attempted to identify what leaders in the country can do to solve the problem. Primary data were collected by the researcher, in person, through semi-structured face-to-face interview of 30 third-year liberal arts, social sciences, and business students in three of the Universities in the Niger Delta region. Data were also collected from archival information and observation of actual violent situations in the region during the 20-year period 1981 to 2001. The students interviewed were Nigerian citizens of the Niger Delta region who have lived through the experience of violence in the communities. The data collected were analyzed for themes and the information was aggregated into large clusters to support the themes. NVivo 8 computer software was used for identifying patterns and themes from the interview transcript. The study was conducted between January and June 2012 purely as an academic venture.

Introduction

The Nigerian oil and gas industry plays a crucial role in the economy of the nation (Central Bank Report, 2011). This industry, is, however, faced with repeated instances of violence in the oil producing communities of the Niger Delta, the main crude oil producing area in the country. Militants in the Niger Delta have disrupted the operations at Shell (Badmus, 2010), Mobil (Omeje, 2006), and Chevron (Badmus, 2010). According to Oluwaniyi (2010), these militants are demanding a larger share of the oil revenue, improved infrastructure and better environmental conditions in the entire Niger Delta region. Between nine and thirteen million barrels of crude oil are reported to have been spilled in the Niger Delta area since drilling began there in 1958 (Amnesty International, 2009).

About 7,000 oil spills are reported to have occurred in the Niger Delta between 1970 and 2000 alone (Department of Petroleum Resources, 2002). The cleanup efforts have, however, been halfhearted, and the compensation paid has been paltry (Baird, 2010). According to Amnesty International Report (2009), locals have complained of sore eyes, breathing problems, and lesions on their skins. Many Nigerians living in the Niger Delta oil producing communities have reported losing their basic human rights such as a healthy environment, access to food, clean water, and an opportunity to work. Situations such as these give rise to acts of violence in the Niger Delta oil communities, as a reaction of people who perceive neglect of the area by the federal government of Nigeria (Amnesty International, 2009).
While many studies on the issues of oil production and violence indicated that most countries that are dependent on oil exports have the highest risk of civil conflicts, none has provided direct information concerning the leadership actions that have contributed to the continued violence in the Niger Delta region (Collier and Hoeffler, 2005; Fearon, 2005; Ikelegbe, 2006; Oyefusi, 2007). Oyefusi (2007), for example, asserted that Norway earned the United Nations Human Development Ranking from the use of economic benefits of the North Sea oil production. Mexico and Malaysia have used huge revenues from oil exports for development of resources for their citizens (Oyefusi, 2007). Little research, however, exists to explain specifically what leadership actions have contributed to the continued violence and lack of economic development in the oil producing communities of the Niger Delta. Results from this study may therefore provide beneficial information for Nigerian federal, state, and local government leaders and leaders of multinational oil corporations operating in the Niger Delta, on some of the actions necessary to end the perennial problem of violence in the area.

**Literature Review**

Ogonor (2003), Ross (2003), and UNDP (2006) posited that the people living in the oil communities of the Niger delta have experienced administrative neglect, mass unemployment and poverty, and have lived without basic social amenities. Oil exploration and production seem to have had a destructive effect on the land and livelihood of the Niger delta people; yet the people who live in the region have no input in decisions about allocation of land and distribution of the wealth generated from oil (Ikelegbe, 2006; Ite, 2004; Ogonor, 2003; Omeje, 2005, 2006). In this connection, Badmus (2010) and Idakwoji (2010) alluded that government officials
flaunting their wealth in front of relatively poor citizens has led to higher-than-normal levels of government mistrust. Therefore, there is severe instability in the region, demonstrated by the loss of human lives, damage to properties, huge losses of national revenue, and threat to Nigeria as a democratic nation (Ogonor, 2003; Oyefusi, 2007).

Otite (2009) alerted on potential problems with Nigerian state formulated fiscal policies and laws such as the Petroleum Act, which gives the Federal Government the exclusive ownership of oil resources in Nigeria; the Land Use Act which vests the ownership of Lands on State Governments; The exclusive Economic Zone Act by which the federal Government has exclusive right over all resources within 200 nautical miles from the coast to the sea, hence, the dichotomy between on-shore and off-shore oil, et cetera. These laws and their operation are perceived by the ethnic group owners of their territories to be oppressive, derivational, and alienating.

According to Okonta and Douglas (2001) and Oyefusi (2007), Niger delta residents have always been dominated and controlled by national leaders and leaders of foreign corporations involved in the exploration and production of the country’s natural resources. The region has therefore been the center of several conflicts between the indigenous residents and the oil companies, the Nigerian state, the law enforcement officials, and between the different ethnic groups in the region (Ogonor, 2003; Oyefusi, 2007). These conflicts have resulted mainly from complaints of environmental degradation, general unemployment, underdevelopment, and unfair distribution of oil revenue (Ogonor, 2003; Onwuka, 2005).

Emergence of Protest Groups

Synge (2006) asserted that the struggle against transnational oil corporations in the Niger delta intensified in the 1990s after the Movement for the Survival of the Ogoni People (MOSOP) was formed to protest the exploitation of petroleum resources in Ogoni territory. In 1998, the Ijaw Youth Congress (IYC) issued the Kaiama declaration, which essentially mobilized youths throughout Ijaw communities against the transnational oil corporations and the Nigerian government (Tuodolo and Ogoriba, 2002). Protests against the federal government and oil companies in the Niger delta region have since developed into a militant struggle for resource control and the right to self-determination (Ikelegbe, 2006; Olusakin, 2006; Onuoha, 2006; Watts, 2004). Otite (2009) stated that the Ijaw who are fighting for the emancipation of the Niger Delta are organized in several groups which include Ijaw Peoples Assembly (IPA); The Niger Delta People Volunteer Force (NDPVF) cum People Solution Force (PSF); The Federated Niger Delta Ijaw Communities (FNDIC); Movement for Emancipation of the Niger Delta (MEND), et cetera. The escalation of violence included the terrorist acts of kidnapping, bombing of oil installations, killings, property damage, and many other acts by different ethnic groups in the Niger delta (Cohen, 2008).

Basis of the Protests

According to Otite (2009), with millions of barrels of oil produced per day, and an over 90% income to Nigeria, the Niger Delta provides economic strength to sustain the country. Yet, Niger Deltans feel infuriated when their environment remains undeveloped, with few or no infrastructure in health, schools, transportation, industries, Federal and State Government
presence, etc. They feel angered, realizing that the resources from their own territory are being used to develop the Federal Capital Territory and places outside their territory, to finance bureaucracies and personalized-individualized conspicuous consumption, and official and non-official corruption. The United Nations Environmental Program (UNEP, 2011) declared that restoration of Nigeria’s environmentally devastated oil-producing Niger Delta region could take up to 30 years, cost $1 billion and become the largest cleanup operation in history.

**PEOPLES AND CULTURES OF THE NIGER DELTA REGION**

![Map of the Niger Delta Region](image)

Source: Urhobo Historical Society

UNEP (2011) concluded that pollution from more than 50 years of oil operations in Nigeria's Ogoniland region is more far-reaching than thought. The assessment, commissioned by the Nigerian government and funded by oil giant Shell, concluded that Nigeria's Niger Delta is diverse and rich with mangroves and fish-rich waterways. But oil drilling has turned it into one of the most oil-polluted places on Earth with more than 6,800 recorded oil spills, accounting for anywhere from 9 million to 13 million barrels of oil spilled, according to activist groups.

Amnesty International, which has researched the human rights impacts of pollution in the Niger Delta, asserted that people in the region have experienced oil spills at par with the Exxon Valdez disaster every year for the last half century. Many residents make their livelihood from fishing and are dependent on the polluted mangroves and creeks. Apparently realizing the strength of the on-going argument, the Federal Government set up the Oil Minerals Production and Development Commission (OMPADEC), the Niger Delta Development Commission (NDDC), and recently the Ministry of Niger Delta Affairs with indigenes in key positions.

*Criminalization*
Otite (2009) declared that the otherwise rightful agitation for an equitable deal from the Nigerian Federal Government has been criminalized. The hijacking of this demand for financial and development inputs into the woefully neglected territory, was brought about by offenders who engage in illegal oil bunkering, fire arms business, kidnapping and hostage taking, piracy and armed robbery. These criminal diversions involve both militants and foreigners. The militants are mainly those unemployed youths disengaged by political elite, who had used them as political thugs and general supporters at the 1999, 2003 and 2007 moments of elections to high offices at the three levels of government—the Local Council, the State, and the Federal Governments. Not having anything else to do in a drab socio-economic environment, they fall as easy recruits to engage in local defense fights. Yet it is important that we separate crime from rightful agitation for development in the Niger Delta region.

Otite (2009) further submitted that another group of criminals consists of the economic elite, both local and foreign, who specialize in the technology of oil pipe breaking, halting of ships or badges loaded with crude or already refined petroleum oil, especially petrol and diesel, and siphoning the products or hijacking the loaded vessel from or to the high seas, taking possession of the content and reloading it into other vessels for sale in or outside Nigeria. Fire arms are often used in the process. Critics have alerted that the activities of the Nigerian Military Intervention through the Joint Task Force (JTF) combining the Army, the Air Force and the Navy is an “enthroner” of criminality in the Niger Delta region. Critics feel this Federal Government approach is an irony: The money used to maintain the military is sourced mainly from the nation’s petroleum wealth derived from the Niger Delta.

Community Relations

Ekpo (2004) provided some input on the community relations efforts of oil companies in the Niger Delta region. According to Ekpo (2004), these oil companies have adopted policies and measures to establish relationships with the institutions and communities in the Niger Delta region. This practice dates back to the 1950s and gathered momentum when the Nigerian National Petroleum Corporation (NNPC) signed Joint Venture Agreements (JVA) with Shell, Mobil, Chevron, Elf, Agip and Texaco in the 1970s (Ekpo, 2004). According to Ekpo (2004), by every standard, NNPC is the biggest promoter of community relations in the petroleum industry in Nigeria. The corporation does this by executing some projects and programs directly through its community relations department in the Group Public Affairs Division.

NNPC also executes projects and programs through its subsidiaries like the Eleme Petrochemicals Company, Nigeria Liquified Natural Gas Company, and the Pipelines and Petroleum Refining Company. Specifically, Ekpo (2004) asserted that NNPC has active Joint Venture community programs with Shell/Elf/Agip, ExxonMobil, Chevron, Elf, Agip/Phillips, Texaco, and Pan Ocean. These community relations programs cover agriculture, formal education, award of scholarships, provision of educational infrastructure, pipe-borne water, electricity, hospitals, road construction, community health, forest conservation, bridges, jetties, boreholes, markets, computer equipment, skills acquisition centres, erosion control, and different programs aimed at empowerment of indigenes of the communities in their operational areas.

Cultural Perspective
It is important to examine, in general, the culture of the typical contemporary Nigerian society in order to appreciate the cultural perspective in the attitudes of the citizens of the Niger Delta oil communities to the long-term exploitation of crude oil and natural gas in their area. Hofstede (1980, 1991, 2001) developed five dimensions of culture which have been shown to have good validity (Hoppe, 1990). The five dimensions include collectivism versus individualism (CI), power distance (PD), masculinity versus femininity (MASC or FEMI), uncertainty avoidance (UA), and time orientation (TO). In Hofstede’s (1991) typology, Nigeria, in general, falls under the category of a “collective” culture. Therefore, the idea of extended family is of prime importance within the Nigerian society.

Map of Nigeria

Source: Merriam-Webster, 2001

Nigeria, in general, also falls under the high power distance category. Thus, there is a great love for titles and individual recognition. This characteristic ties easily with the country’s history of kingship, headship, colonialism, and general regard for seniority. Societies with high masculinity (MASC) index are generally assertive, ambitious and competitive, striving for material success, and respecting the big, strong, and fast (Dickson et al., 2003). This is largely true of contemporary Nigerian society. Because of this predominantly high MASC index, the struggle for political power is usually very tense in Nigeria, and there is equally a tendency to lay low priority on ethical considerations in business and in public service.

According to Hofstede’s (1991) cultural typology, Nigeria falls under the short time orientation category with many wanting immediate gratification of their material, social, and emotional
needs ("this is my time" factor). Finally, Nigeria, in general, falls into the category of a high uncertainty avoidance culture. Hence, there is generally low entrepreneurship, high dependence on government, and the tendency of government to be highly centralized and structured. There is low tolerance for deviance or alternative views to that of those in authority, with the resultant resolve of the masses to the constant use of violence in order to be heard (Zagorsek, Jaklic & Stough, 2004). That is the crux of the matter in the Niger Delta region.

Method

The study was qualitative and utilized the exploratory case study approach. Respondents were asked what they feel are the leadership issues leading to the constant violence in the oil producing communities of the Niger Delta, and what can be done to solve the problem. This was in line with Berg’s (2007) assertion that case studies can provide a kind of deep study of phenomenon, events, people, or organizations. According to Weick (1995), case studies open the door to the "sense-making" process created and used by individuals involved in the phenomenon, event, group, or organization under study. Merriam (1998) asserted that qualitative case studies have the characteristics of being particularistic, descriptive, and heuristic.

Therefore, an exploratory case study was appropriate for this study because the focus of the study was to explore and identify the perceived leadership factors that contribute to the continued violence in the oil producing communities of the Niger Delta. This was done by collecting and analyzing information obtained from semi-structured face-to-face interview of the study participants. In order to describe and compare the thoughts of non-government, non-oil-company citizens of oil communities in the Niger Delta, 30 third-year university students were interviewed in three of such communities, namely Port Harcourt, Abraka and Uyo. The reasons for selecting third-year students at universities is that these individuals are enlightened enough to know what is going on in the region, they are being trained to be future influencers, leaders and decision makers in the country (Change Agents, 2009), and most importantly, these students represent the same ages as the "youths" supposedly causing the problems in the oil communities (Oluwaniyi, 2010).

In keeping with Eisenhardt (1989), data were also collected from archival data of violence in the Niger Delta oil producing communities and from a record of observation of actual violence directed at an oil producing companies by the Ibeno community in Akwa Ibom State, during the period 1981 and 2001. These data from three different sources were thereafter triangulated (Eisenhardt, 1989; Yin, 2009) in order to help build stronger theories. The main research question was: **How have government actions contributed to increased levels of violence in the Niger Delta oil communities?** The sub-questions addressed by the study are as follows:

1. What are the experiences of people living in the Niger Delta oil communities regarding the continued violence in the region?

2. What are the perceptions of people living in the Niger Delta oil communities on the causes of the continued violence in the region?
3: What are the actions that the federal, state, and local government leaders should take to end violence in the Niger Delta oil communities?

To ascertain informed consent, a statement was read to the participants at the beginning of each interview session disclosing the purpose of the study and securing the participant’s consent before proceeding with the interview. Each participant also signed an informed consent form. The 30 study participants consisted of 15 males and 15 females. For each of the chosen universities, three of the students interviewed were selected from liberal arts, three were from social sciences, while four were from business department. The sampling was purposive and convenience.

The researcher protected participants’ confidentiality by including a nondisclosure statement at the beginning of each interview session, by restricting access to participant’s identification, by restricting access to data instruments where participants are identified in any form, and by not disclosing data subsets (Cooper and Schindler, 2008, p. 40). Similarly, participants’ right to privacy was ensured by informing participants of their right to refuse to answer any question or participate in the study. A set of demographic questions were asked in the interview to collect data relating to age, gender, ethnicity, and course of study. This is to ascertain that the participants from the different locations are as similar as possible in order that the findings are reliable and valid (Cooper and Schindler, 2008). Following description of the data, they were analyzed for specific themes and aggregated into large clusters of ideas that provided information that supported the themes (Stakes, 1995; Moustakas, 1994). Pattern matching was also used for data analysis (Creswell, 2007). The NVivo 8 computer software was used as a resource for data analysis.

Results and Findings

Tables 1 through 5 below provide insight into some of the demographic classifications of the study participants.

Table 1 Ethnicity of the Study Participants

<table>
<thead>
<tr>
<th>Ethnicity</th>
<th>n</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edo</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>Efik</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>Ibibio</td>
<td>5</td>
<td>17</td>
</tr>
<tr>
<td>Ijaw</td>
<td>4</td>
<td>13</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ethnicity</th>
<th>n</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ikwere</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>Itsekiri</td>
<td>4</td>
<td>13</td>
</tr>
<tr>
<td>Ogoni</td>
<td>5</td>
<td>17</td>
</tr>
<tr>
<td>Urhobo</td>
<td>3</td>
<td>10</td>
</tr>
</tbody>
</table>

Table 2 Gender of the Study Participants

<table>
<thead>
<tr>
<th>Gender</th>
<th>n</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>15</td>
<td>50</td>
</tr>
<tr>
<td>Male</td>
<td>15</td>
<td>50</td>
</tr>
</tbody>
</table>

Table 1 Ethnicity of the Study Participants

<table>
<thead>
<tr>
<th>Ethnicity</th>
<th>n</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edo</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>Efik</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>Ibibio</td>
<td>5</td>
<td>17</td>
</tr>
<tr>
<td>Ijaw</td>
<td>4</td>
<td>13</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ethnicity</th>
<th>n</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ikwere</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>Itsekiri</td>
<td>4</td>
<td>13</td>
</tr>
<tr>
<td>Ogoni</td>
<td>5</td>
<td>17</td>
</tr>
<tr>
<td>Urhobo</td>
<td>3</td>
<td>10</td>
</tr>
</tbody>
</table>
Table 3  Place of Primary Residence

<table>
<thead>
<tr>
<th>Primary Residence</th>
<th>n</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benin City (Niger Delta, ND, region)</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Calabar (ND region)</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Eket (ND region)</td>
<td>4</td>
<td>13</td>
</tr>
<tr>
<td>Port Harcourt (N/D region)</td>
<td>7</td>
<td>23</td>
</tr>
<tr>
<td>Uyo (ND region)</td>
<td>5</td>
<td>17</td>
</tr>
<tr>
<td>Warri (ND region)</td>
<td>6</td>
<td>20</td>
</tr>
<tr>
<td>Yenagoa (ND region)</td>
<td>4</td>
<td>13</td>
</tr>
</tbody>
</table>

Table 4  Age Range of the Study Participants

<table>
<thead>
<tr>
<th>Age Range (Years)</th>
<th>n</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>16 – 18</td>
<td>4</td>
<td>13</td>
</tr>
<tr>
<td>19 – 21</td>
<td>6</td>
<td>20</td>
</tr>
<tr>
<td>22 – 24</td>
<td>5</td>
<td>17</td>
</tr>
<tr>
<td>25 – 27</td>
<td>4</td>
<td>13</td>
</tr>
<tr>
<td>28 – 30</td>
<td>6</td>
<td>20</td>
</tr>
<tr>
<td>31 – 32</td>
<td>5</td>
<td>17</td>
</tr>
</tbody>
</table>

Table 5  Marital Status of the Study Participants

<table>
<thead>
<tr>
<th>Marital Status</th>
<th>n</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Married</td>
<td>20</td>
<td>67</td>
</tr>
<tr>
<td>Single</td>
<td>7</td>
<td>23</td>
</tr>
<tr>
<td>Divorced/Widowed</td>
<td>3</td>
<td>10</td>
</tr>
</tbody>
</table>

A summary of the results obtained following analysis of the research data is provided in tables 6 through 10 below.

Table 6  Experiences and Perception of Life in the Niger Delta

<table>
<thead>
<tr>
<th>Experiences and Perception</th>
<th>n</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive experiences and perception</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Negative experiences and perception</td>
<td>28</td>
<td>93</td>
</tr>
</tbody>
</table>

Table 7  Reason for Continued Violence

<table>
<thead>
<tr>
<th>Reason</th>
<th>n</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bad governance</td>
<td>18</td>
<td>60</td>
</tr>
<tr>
<td>Inequitable distribution of resources</td>
<td>7</td>
<td>23</td>
</tr>
<tr>
<td>Unrealistic expectations of oil communities</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>Laziness of community youths</td>
<td>2</td>
<td>7</td>
</tr>
</tbody>
</table>

Table 8  Role Played by Ethnic Leaders

<table>
<thead>
<tr>
<th>Role</th>
<th>n</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive role, to end violence</td>
<td>6</td>
<td>20</td>
</tr>
<tr>
<td>Negative role, to perpetuate violence</td>
<td>24</td>
<td>80</td>
</tr>
</tbody>
</table>
Table 9  Role Played by Oil Companies

<table>
<thead>
<tr>
<th>Role</th>
<th>n</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Socially responsible</td>
<td>5</td>
<td>17</td>
</tr>
<tr>
<td>Workers flaunt wealth</td>
<td>8</td>
<td>27</td>
</tr>
<tr>
<td>Pollute the environment</td>
<td>17</td>
<td>56</td>
</tr>
</tbody>
</table>

Table 10  Suggested Leadership Measures

<table>
<thead>
<tr>
<th>Suggested Measure</th>
<th>n</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upgrade standard of living in oil communities</td>
<td>10</td>
<td>33</td>
</tr>
<tr>
<td>Provide Infrastructure</td>
<td>10</td>
<td>33</td>
</tr>
<tr>
<td>Allocate resources equitably</td>
<td>5</td>
<td>17</td>
</tr>
<tr>
<td>Closer scrutiny of oil companies</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Revamp leadership at all levels</td>
<td>3</td>
<td>10</td>
</tr>
</tbody>
</table>

Conclusion and Discussion

Leadership Problem

The results contained in tables 6 through 10 above reveal leadership-related problems as perceived by the study participants. 93% of the respondents reported negative experiences and perception of life in the Niger Delta. 60% of the respondents attributed the reason for the continued violence in the Niger Delta oil producing communities to bad government while 23% attributed same to inequitable distribution of resources. 80% of the study participants believe ethnic leaders in the communities are playing negative roles in the matter and are thus doing things to perpetuate the violence. 56% of the study participants believe the major oil companies operating in the communities pollute the environment while 27% believe that government and oil company workers in the communities flaunt their wealth in the midst of abject poverty of the people.

In order to end the problem of violence in the communities, 66% of the study participants suggested upgrading of the standard of living of the people and provision of infrastructure in the communities. In this regard, 17% suggested equitable allocation of resources, 10% suggested revamping of leadership at all levels, while 7% suggested closer scrutiny of oil companies by the government. Findings from these results attribute the violence in the oil producing communities to general leadership problems in the country. There may be a shortfall in both the financial resources allocated to the Niger Delta oil producing communities and the judicious application of the allocated resources for developmental purposes. Douglas et al (2003) and Oyefusi (2007), for example, asserted that oil production in Nigeria has generated more than $300 billion in oil revenue into the Nigerian economy and more than $50 billion of the amount has disappeared fraudulently into personal accounts overseas.

According to Idakwoji (2010), corruption exists in Nigeria and a major source of corruption in the country is among public officials who fail to demonstrate behaviors such as moderation and abstinence from self-seeking, greed, and conspicuous consumption. Idakwoji (2010) suggested
that for Nigeria to have sustainable development, there should be an economic system that is capable of generating surpluses and technical knowledge on a self-reliant and sustainable basis, a social system that provides solutions to tensions arising from disharmonious development, and a production system that respects obligations to preserve the ecological base for development (Idakwoji, 2010). Yet, somewhat disappointedly, Idakwoji’s (2010) concluded that, in Nigeria, the system is defective in all of the stated areas, due to leadership corruption.

Materialism and Primitive Acquisition

According to Idakwoji (2010), for sustainable development to take place in Nigeria, the value attached to materialism by those in leadership positions must be de-emphasized and leaders, as social reformers, must imbibe and respect the virtues of honesty, integrity, sincerity, and responsibility. To prevent despotism, oppression, tyranny and insecurity, those not possessing the qualities required for leadership should not aspire for leadership positions, and where they do, should not be allowed to attain such positions (Idakwoji, 2010). Osaghae (2010) makes a case for installing the requisite institutional correlates that are consonant with democracy, rule of law and accountability, and capable of restraining the tendencies towards the personalization of political power. Nelson and Trevino (2007) countered this position, however, by stating that unless leaders are determined to set the pace and truthfully and transparently act in ethical manners, the different societal institutions become irrelevant in curbing unethical practices.

Need for Ethical Leadership

According to Douglas et al (2003) and Oyefusi (2007), Nigerians have not benefited fully from the oil revenue because of widespread corruption and misappropriation of oil revenue by Nigerian leaders (Oyefusi, 2007). No wonder the years of neglect of the oil producing communities. The result of a qualitative study by Jones (2007) on the nature of ethical leadership emphasized the importance of a leader being perceived as such by the followers. Jones (2010) also identified people orientation as well a leader engaging in visible ethical action, as important aspects of ethical leadership. According to Cavanagh (2006), traits such as receptivity, listening, openness, integrity, honesty, and trustworthiness have been associated with ethical leadership. Baron (2006) asserted that ethical leaders demonstrate caring for people and are courageous enough to say “no” to conduct that would be inconsistent with their values. Surely, such ethical leaders would make a great difference in the Nigerian situation.

Competent Leadership

Pierce and Newstrom (2011) asserted that competent leaders are best because they are critical thinkers who have capacity, achievement, responsibility, participation and status. Such leaders also have vision, communication and alignment, persistence, consistency, focus and empowerment. They have risk-taking nature, better planning skills, innovativeness, self-confidence, outgoing personality, high-agreeableness, optimism, intellectual stimulation talents, individualized consideration capacities, resilience and enthusiasm. Nigeria needs such leaders in abundance to lay the foundation of a dynamic, focused, and high-achieving society. Surely, the time is ripe for such a much-desired turnaround.
Recommendations

1. It is important for the Federal Government of Nigeria to lay the foundation of ethical leadership by recognizing and rewarding leaders at all levels who display recognizable qualities of an ethical leader. Such candidates should be selected by a cross-section of the populace who should back up such recommendations with concrete evidence.

2. An institute for propagating social ethics should be established by the government and manned by Nigerians of proven integrity who would be committed to walking their talks at all times. Such an institute should focus on ethical development of youths and should visit elementary, middle and high schools to propagate the ethical message.

3. Greater openness is necessary in the affairs of the different organizations charged with the affairs of the Niger Delta. Citizens of the Niger Delta must be carried along fully to prevent misconceptions and a tendency to react in violent manners. In this regard, youth empowerment is necessary to ensure self-sufficiency and prevent idleness.

4. Nigerians, in general, need to be determined to demand accountability from their leaders at all levels. The elites, in particular, need to determine, on individual basis, to display integrity, accountability, and full regard for the rule of law. Conspicuous consumption does no society any good. At the end of the day, everyone suffers in one form or the other. We should by now be getting tired of the ridicule and lack of trust that Nigerians experience daily in the hands of others outside our shores.

5. Government representatives must continue to dialogue untiringly with citizens in the oil communities of the Niger Delta. These people surely have a point, as this research results have shown. Doing otherwise is tantamount to sleeping on a keg of gun powder. We do not need any more of the potential conflagration

References


UNITED STATES IMMIGRATION POLICY AND H-1B VISA: CONSIDERATIONS FOR EMPLOYERS

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School of Business
Cameron University

Abstract

The United States H-1B visa presents a unique history and management implications for Human Resource Management research. While much research currently available addresses specific issues surrounding the H-1B visa, there exists little research that contextualizes the program as it should be used by employers and HR managers. Utilizing peer reviewed journals from 2007 and later, this paper collects and summarizes the key points of interest for firms with a goal of using H-1B visa workers. Areas covered include a brief history on the visa, and findings on the industrial, financial, legal, political, and employee aspects of the program's use. Individuals and firms seeking a greater understanding of the H-1B visa in the realm of Human Resource Management will find relevant information for execution strategies and program development. Suggestions for future research are included as well as research limitations that are likely to apply to the study of this area as a whole.

Introduction

Overview of the H-1B Visa Program

The globalization of business has been a driving force for the diversification of the workforce in the United States, especially as the development of affordable micro-computing devices has paired technical expertise of companies in the U.S. with manufacturing capabilities of foreign countries. The proliferation of personal computing devices and server-based information systems as the standard of doing business has also given rise to occupations that largely involve consultation and deployment of these products. The explosive growth of technology-based business in the late 1990s and early 2000s, known as the “dot-com bubble” (Mithas et al., 2010, pg. 749) exposed the inability of the U.S. workforce to meet the resource needs of companies in the technology industry. As a result, adjustments to U.S. immigration policies presented U.S.-based companies with the opportunity to utilize temporary non-
immigrant visas to supplement existing workforces with highly specialized and skilled labor (Mithas et al., 2010). Firms gained the option of sourcing for talent globally instead of just locally, providing considerably more options for needed staffing (Lewin et al., 2009). This research paper aims to provide a detailed analysis of the H-1B visa program, in the context of how it can be of benefit or possibly even detriment to employers in the United States. Additionally, the impact that this visa program has on Human Resource Management will be noted, as federal work policies have a direct impact on HR managers. Particular emphasis will be placed on analysis of the H-1B visa program over a roughly ten year period from 2000 to 2010, during which the program saw numerous changes to recognize the accelerated growth of industries which utilize workers through the H-1B program.

**Historical Origins**

The H-1B visa program as we know it in its most modern incarnation developed as a result of the United States Immigration Act of 1990 which largely reformed policies for U.S. companies hiring foreign workers. The act contained specific provisions on annual caps on temporary worker visas, created specialty occupations which qualify for the H-1B visa, and added a labor attestation requirement (Fulmer, 2009). It is important to note that the H-1B visa is a variant of the original H-1 visa which has existed since the Immigration and Nationality Act of 1952 created the “H-1 category and allowed foreign workers of 'distinguished merit and ability' to reside and work in the United States temporarily while keeping a foreign residence” (Fulmer, pg. 830). In creating the H-1B variant, the Immigration Act of 1990 removed the foreign residency requirement and capped H-1B visas at sixty five thousand annually (Fulmer). Understanding the origin of labor laws like the H-1 visa program is of importance to the study of HR management as the evolution of federal policy is a strong indicator of how a country copes with global change. Within the context of the H-1B visa, the immigration policy of the U.S. needs to adapt to the globalization of business and the increased need for specialized workers in fast-growth industries.

**Application Process**

Compared to other H-1 visa types, the H-1B is a “specialty occupation” (Kerr, et al., 2010, pg. 482) visa for foreign workers. This classification thus requires that applicants be employed in an occupation that “[requires] theoretical and practical application of specialized knowledge like engineering or accounting” (pg. 482) before they can apply with the United States Citizenship and Immigration Service prior to the fiscal year beginning in October (Mayberry, 2009, pg. 338-339). Applicants must also possess a “bachelor's or higher degree in the specific specialty (or its equivalent)” (Fulmer, 2009, pg. 829). Upon meeting these requirements, prospective employees will contact the “sponsoring firm” (Kerr, et al., 2010, pg. 482) who then needs to file a “Labor Condition Application... Form ETA 9035E” with the United States Department of Labor's “Employee and Training Administration” (Fulmer, 2009, pg. 830). This Labor Condition Application (LCA) lists four requirements that must be met by the employer: (1) the H-1B applicant “must be paid the required wage rate”, (2) the employment of H-1B workers “must not negatively affect the working conditions of workers similarly employed in the area of intended employment”, (3) the employer “cannot be involved in a strike, lockout, or work stoppage in the course of a labor dispute in the H-1B worker's area of intended employment”, and (4) the employer “must provide notice of filing the LCA to the employee's bargaining representative” (pg. 830-831). Once the LCA has been accepted by the Department of Labor, the employer then submits the certified LCA to the Department of Homeland Security.
(DHS) along with DHS form I-129, the employer's H-1B petition" (pg. 832). Approval by the DHS means the prospective employee can then file for the H-1B visa “through a U.S. Consulate abroad, or if already present in the United States, may be eligible for adjustment of status” (pg. 833). An H-1B visa is initially valid for three years and may be extended an additional three years through petition (Banerjee, 2008). Employers and HR managers who are interested in the H-1B visa program should familiarize themselves with the formal filing process, which can be of great value when sponsoring an H-1B candidate. Exemptions to the standard policy do exist, which may be beneficial for employers to inquire about.

Usage Statistics by Country

In terms of demographics, foreign worker policies have seen considerable usage by emerging foreign nations such as India, China, and the Philippines (Varma, 2010). Lowell (2010) found that China and India are the two largest contributing nations, noting that in 2005 they were “one-seventh of all immigrants newly issued permanent green cards, but one-sixth of all immigrants reporting managerial occupations and nearly one-third of those reporting professional occupations” (pg. 89). Lowell also asserts that India and China “play a preeminent role in the contribution of immigrants to the knowledge workforce” in the United States (pg. 89). Varma’s (2010) research on India-Born employees in the U.S. workforce finds that a significant number are “faculty in academic institutions and researchers in industrial R&D laboratories and national laboratories” (pg. 1068). Lowell (2007) states that [nearly] two-thirds of the CEOs of the top IT companies employing H-1B visa holders have South Asian or Indian surnames (pg. 93). Organizations seeking to sponsor H-1B employees should expect to take on a more assertive role in promoting workforce diversity, particularly toward those of Chinese and Indian descent who are statistically more likely to be employed under such programs. HR managers can prepare for sponsorship of H-1B workers by familiarizing themselves with the cultural customs of foreign nations like China and India. Doing so may permit a more accurate assessment of a candidate's talents by easing the tension during interviews.

Recent Changes

Since the dot-com boom of the 2000s, changes to the H-1B visa have included adjustments to the yearly cap and side effects on the use of the H-1B visa due to federal legislation. Foremost, the American Competitiveness in the Twenty-First Century Act of 2000 increased the yearly H-1B cap to 195,000 for fiscal years 2001 through 2003 and lowered it back to 65,000 for 2005 (Varma 2010). In 2006, the Senate's Comprehensive Immigration Reform Act was passed and included wording that would increase the H-1B cap each year with a 20 percent escalator if the previous year's cap was met (Lowell, 2007). Finally, going against the trend of yearly increases, the Troubled Asset Relief Program of 2008 prohibited businesses that received stimulus funds from applying for H-1B visas (Waldorf, 2011). Waldorf contends that this legislation caused H-1B applications in 2009 to drop from 163,000 to 45,000. Research by Sana (2010) summarizes the change in the H-1B visa cap over the years, as shown in Illustration 1. Employers should expect to keep afloat on changes to the H-1B visa as the United States continues to cope with a down economy and increasing unemployment. The nature of the H-1B visa may lead it to be criticized during high unemployment as it allows the hiring of foreign workers, even though it is designed to provide supplemental workers when the native workforce is insufficient.
Findings: H-1B Visa Considerations for Employers

Industry Considerations

Given the nature of the H-1B program and its education and occupational restrictions, it is no surprise that the majority of H-1B holders find themselves in highly technical fields. More specifically, foreign workers on H-1B visas are often employed in “STEM” fields, an acronym for fields specializing in or relating to “science, technology, engineering, and mathematics” (Lowell, 2010, pg. 1030). Tannock (2008) and Mithas (2010) make a point that a large portion of issued H-1B visas are for foreign workers in Information Technology fields. The remaining H-1Bs are likely to be granted to individuals who are “architects, engineers...accountants, doctors, and college professors” (Somerville et al., 2009, pg. 154). Renee Luthra’s 2009 research into highly skilled workers in the H-1B program provides us with information on the top H-1B occupations, as shown in Table 1. The rise in technical training in foreign nations is likely to provide skilled labor for employers in industries involving information technology and engineering.

Financial Considerations

Much research has been done on the financial aspects of the H-1B visa, from the financial benefits to employers for sponsoring foreign workers, to the actual costs of sponsorship and the impact it has on wages. For employers, hiring and sponsoring H-1B workers can be very beneficial, financially, as they offer unique benefits that aren't likely to be obtained from the native workforce. Schuck et al. (2010) finds that these highly skilled workers “catalyzed and expanded U.S. innovation, economic growth, jobs, wealth creation, and the resulting advances in human welfare” (pg. 329). Whereas Brunner (2010) and Waldorf (2011) highlight the fact that these workers earn higher wages, thus paying greater tax revenues, while generally receiving less benefits from their employment. Waldorf (2011) also mentions that H-1B holders “pay into welfare and pension funds, increase productivity, stimulate trade, and create jobs through investment and consumption” and are a “no-cost injection of human capital that was obtained in, and paid for by foreign countries or the individuals and their families themselves” (pg. 331). Varma’s research on Indian-born foreign workers asserts that they are the “model immigrant” because they succeed due to their “faith in education, a strong work ethic, and socio-cultural values that resonate with traditional American counterparts” (pg. 1065). The unique requirements of the H-1B program thus are a benefit to employers seeking to hire skilled employees. As employment and residence in the U.S for these workers is contingent on their sponsorship by the employer, they are likely to hold a different attitude toward the employment relationship; a greater level of commitment that would not be found with a native employee. Lastly, H-1B candidates may carry less leverage in terms of bargaining power during initial interviews, allowing employers to gain highly skilled, highly educated employees who may command less salary and benefits.

The costs of sponsoring an H-1B worker include initial filing fees to petition the United States Customs and Immigration Service. For 2012 filings, there is a base fee of $325. The American Competitiveness and Workforce Improvement Act of 1998 requires a fee of $750 for employers with up to 25 full time employees, or $1500 for employers with 26 or more employees (USCIS, 2011). The Fraud Prevention and Detection fee adds on another $500 and Public Law 111-230, signed into law in 2010 by President Barack Obama (USCIS, 2010) adds an
additional $2000 if the employer employs 50 or more employees, of which at least 50% are either on H-1B or L-1 visas. Employers may opt to pay an additional $1225 for the Premium Processing Fee which will allow the petition to be processed within 15 calendar days (USCIS, 2011).

In recent years, research has been done on the relationship between H-1B holders and their wages while employed in the United States. As mentioned previously, in order for a U.S. employer to sponsor a foreign worker, it must attest in the Labor Condition Application to the Department of Labor that by choosing to employ a foreign worker, the employer will pay the required prevailing wage rate. While this is a requirement of sponsorship, studies have found that compliance with this attestation is not straightforward. Fulmer (2009) says that H-1B workers are vulnerable to exploitation in the area of wages. Specifically, Fulmer points out that the Code of Federal Regulations for the Labor Condition Application provisions allows employers to choose from different information sources when determining a prevailing wage for an H-1B position. The prevailing wage among the sources may differ greatly, leading employers to select the lowest one to save on cost. Additionally, Fulmer states that since the prevailing wage is tied to the position and not the applicant, the education and experience requirements can be lessened to allow the employer to select a lower prevailing wage. In one example, Fulmer quotes a Center for Immigration Studies claim that H-1B Information Technology workers are paid at least $10,000 less than American workers. Lastly, Varma (2010) found similar problems, stating that H-1B workers may earn up to 25% less than American workers in similar positions. This problem presents itself as a dichotomy between businesses in an ever-competitive world and talented foreign workers who seek to work for U.S. companies. While the H-1B program is designed to provide a structured and procedural means of supplementing U.S. organizations with talent from abroad, it leaves much of the execution open for interpretation. Researchers in this area generally agree that H-1B holders are often underpaid for their work, so organizations and HR managers would be wise to fully consider the dynamics of sponsoring a foreign worker. While one goal of successful business is to reduce cost, doing so by hiring a contingent worker at less than the prevailing wage for an equivalent American worker seems hardly beneficial in the long term.

Legal Considerations

The legal aspects of the H-1B visa include abuse of the program by employers such that the intent of the visa is not taken into account; rather, employers end up using H-1B sponsorship to deliberately pick foreign workers over natives. The at times ambiguous legal requirements of H-1B sponsorship have allowed employers to freely interpret the rules in their favor. Fulmer (2009) argues that some employers are able to displace American workers in favor of an H-1B worker by classifying themselves as “non H-1B dependent” (pg. 827) by incorrectly calculating the ratio of foreign to native employees for a particular type of work. By including non-essential staff such as janitors and secretaries, Fulmer asserts that employers can artificially decrease the ratio of foreign to native employees, creating a legal loophole where they qualify to obtain additional foreign workers. Sahoo et al. (2010) mentions the existence of “body shops” which are firms that “obtain H-1B visas for a number of employees and then contract workers out to bigger companies on a temporary basis” (pg. 301). Sahoo et al. contends that this is a misuse of the H-1B program because rather than supplementing labor shortages, it ends up placing employees in a state of protection-less job insecurity where they face hostility from native workers who have been displaced by their comparatively cheaper employment.
Political Considerations

The political aspects of the H-1B visa mostly concern how it affects U.S. workers and the inequalities between foreign workers and native workers. The impact of the H-1B visa on U.S. citizens is largely a result of how employers tend to favor hiring foreign workers over native workers due to differences in wages. Mithas et al., (2010) describes one example where a U.S. company found that it was able to employ a comparable Indian-born worker for cheaper than a U.S. worker. Mithas et al. also notes that the lower wages at which U.S. companies can hire H-1B workers may, in the long run, have an adverse effect on the wages of U.S. workers in similar positions. This could lead to a “vicious cycle” (pg. 748) as lower wages in occupations such as Information Technology attract less native-born candidates, requiring U.S. firms to seek out more foreign employees to fill those positions. Where the original intent of the H-1B visa program is to provide supplemental workers to U.S. companies, especially in fields such as Information Technology where highly skilled workers possessing advanced degrees, but accepting less wage, are becoming more attractive to employ. Even where employers follow H-1B usage guidelines in full faith, U.S. citizens may find themselves unable to compete for a position that the employer has already wrongly designated for a foreign worker.

Even where employers follow H-1B usage guidelines in full faith, U.S. citizens may find themselves unable to compete for a position that the employer has already wrongly designated for a foreign worker.

Employee Considerations

Research on H-1B workers has found much in the areas of lifestyle challenges, issues with career advancement, and workplace stress. From the perspective of the employee, moving to a different nation to work for a foreign employer in a foreign country can be a challenging career move. Banerjee's 2010 research on transnational subcontracting of Indian IT workers found that moving to the United States to work on an H-1B was a less than ideal arrangement for those who were interviewed. One particular participant in Banerjee's study found that after arriving in the U.S., his visa had been changed to a B-1 from an H-1B due to time constraints.
Since the B-1 visa is not a working visa, this posed major issues for the participant who was not “not entitled to draw a salary in the United States” and could not claim any of the “legal protections and entitlements that come with being recognized as part of the U.S. labor force” (pg. 98-99). Furthermore, he was unable to obtain a Social Security Number due to having a B-1 visa and was not able to apply for a driver's license and subsequently was not able to open an account at a bank. These problems continued to cascade as he was unable to pay for housing or to obtain a credit card. While these problems stem from the individual being sponsored under the wrong visa, Banerjee contends that this is not an isolated incident and that many young Indian IT workers find themselves in similar situations, even after applying for H-1Bs. Lastly, Levina et al. (2007) highlights that H-1B workers are more likely to be negatively impacted by fluctuations in labor demand in the United States, leading to greater feelings of insecurity, which can have a devastating effect on daily life.

Related to lifestyle challenges, workplace stress for foreign workers can be a source of difficulty while employed on an H-1B sponsorship. Keeping in mind that H-1B workers are required to relocate to a foreign country to work, the added pressure of a new working environment in a different culture can present difficulties and additional stress. Soylu et al.'s 2011 research on foreign employee workplace stress finds that “foreign employee status is associated, overall, with heightened workplace stress” (pg. 10). The research finds that foreign employees not only face acculturation stress from their new living situation but also from their jobs. Additionally, foreign employees experience “less empowerment and greater discrimination” (pg. 10) at work. Soylu et al. suggest that much of this stress can be managed effectively by employing a few different approaches for foreign workers. First, they suggest that managers set up small social circles for foreign employees to congregate with native employees. This type of low-pressure situation can provide an informal environment where foreign workers can view their colleagues in a less-stressful setting. This type of arrangement can provide opportunities for social interaction as well as establishing relationships that can help foreign employees feel more welcome. Soylu and Zeitz (2012) suggest that companies provide support for residency issues that may arise for foreign employees and that they help develop networks for co-nationals within the company or the community. Employers can benefit greatly by offering these and other programs for foreign workers. Not only will these aids help reduce workplace stress for employees, but through word of mouth this approach to human resource management may attract future talent that will prove valuable to the organization.

Research on career advancement of H-1B workers can be viewed from different perspectives. Some researchers focus primarily on career advancement while employed with a sponsoring employer, while others look at the progress made overall in the long term. Varma's (2010) research on India-born workers in the U.S. finds that they are often viewed as “foreigners, outsiders, passive, unassertive, lacking higher level communication skills, and more equipped for technical rather than leadership work” (pg. 1069), all of which are hurdles to career advancement to managerial positions. On the other hand, Shuck et al. (2010) find that foreign workers are responsible for starting “one-quarter of the technology and engineering companies started between 1995 and 2005 that comprise the Dun & Bradstreet Million Dollar database” (pg. 333). Results are likely to vary, but overall research seems to indicate that those workers who seek permanent residence in the U.S. are more likely to start their own businesses. Employers should aim to be cognizant of cultural differences that may present themselves in the workplace. While it is not always possible for a company to change the attitudes and mannerisms of employees,
managers can implement clear policies that cut across cultural boundaries and level the playing-field for career advancement.

**Limitations of Research**

For purposes of this research, it is necessary to recognize that H-1B holders fall under the general category of “foreign workers” for the intent of discussing issues not directly relating to the H-1B visa program (e.g. policy, regulation, legal matters). Thus, research relating to non-policy issues for foreign workers is utilized such as compensation figures and key industry information. There exists some semantic overlap in this area, where the term “immigrant” may include individuals who were at one time in the U.S. on H-1 type visas. On the other hand, foreign workers and H-1B workers implies that those workers are not permanent residents of the U.S. Research specifically on “immigrants” to the U.S. did not mention whether they initially arrived on a temporary visa, although research on H-1B workers generally mentioned that it was common practice to apply for a Green Card after residing in the U.S. Additionally, the relatively short time-frame of study on H-1B issues (2000 to current) presented some difficulty in finding research relating directly to various facets of the H-1B visa. Research in the area of foreign workers and immigration returns considerably more results, but research specifically on the H-1B visa was limited within the scope of this topic.

**Future Research**

The H-1B visa presents itself as a unique policy that has undoubtedly benefited U.S. companies in the areas of science, technology, engineering, and mathematics. The relatively short time-span from inception of the H-1B visa to current day presents opportunities for future research that cover individuals who are routinely employed by U.S. companies for the maximum duration of the H-1B program (up to 6 years with all permitted extensions). In contrast to many foreign workers who eventually seek Green Card status in the U.S., those who retain citizenship with their host country while choosing to work in the United States may provide unique insights into the working-abroad dynamic. Additionally, research focusing on firms currently sponsoring H-1B workers would present a different perspective. Specifically, the initial negotiations between the employer and the H-1B candidate, and the value-added realizations of employing foreign workers would be extremely beneficial to this field of study. Finally, current research on the topic has focused on Indian-born H-1B workers, but China, Vietnam, and countries in the E.U. are also active participants in the H-1B program. Additional research on individuals from different countries would provide greater perspectives in terms of diversity and cultural challenges.

**Summary**

As research has shown, The United States H-1B visa has become a very popular method for U.S. firms to supplement their workforces with highly skilled, highly educated individuals from afar. As a specialty occupation visa, the H-1B has proven invaluable to research, engineering, computing, and other high skill occupations. Firms that choose to sponsor foreign workers are at a unique advantage because foreign workers often arrive with advanced training and are more or less dedicated to the sponsoring firm for a minimum of three years. The added cultural diversity of foreign workers allows a company to gain a different perspective on business problems and to enrich its workforce.

Yet, it seems that employers are using the H-1B visa beyond its original intentions. Rather than using the visa to fill shortages in certain occupations, firms known as “body shops” employ young workers from India and China and contract them out to firms at less-than-prevailing wage rates and with little or no options for recourse. The comparatively low wages for
these positions ends up depressing wages overall for U.S. workers, reducing native interest in certain fields, and thus creating the need for more supplementation by foreign workers on H-1B visas. Foreign workers find themselves in contingent employment where they have no choice but to succumb to management since the only other option is deportation back to the home country. Additionally, these foreign workers find themselves in a new country with different customs and formalities, which leads to stress and anxiety that must be dealt with while establishing a home in a new setting.

While firms have much to gain from sponsoring H-1B workers, firms are responsible for ensuring that they are not exploiting the honest efforts of workers. First, firms must fully understand the rules and caveats of the H-1B visa, as well as acknowledging that it is designed to address shortages, not provide cheap skilled labor. Second, firms should clearly define the terms and intent of the H-1B sponsorship by defining it in writing that is agreed upon by both parties before the agreement is finalized. Third, employers should be sensitive to the fact that foreign workers are moving themselves thousands of miles away from home and offer various programs to reduce the anxiety of working in a new country. Finally, employers should seek to make H-1B sponsorship a positive experience as employers can only gain from positive word of mouth. Much like any organization that treats its employees with professionalism, respect, and fairness, firms who are known for their H-1B sponsorship programs are likely to attract more talent in the future.

References
Lowell, B. L. (2007). Federal immigration policies and the movement of Chinese and Indian knowledge workers to and from the United States. Movement of Global Talent:
The Impact of High Skill Labor Flows from India and China. Princeton University, 89-104.


Illustration 1: H-1B Visas Issued and Congressional H-1B Cap, 1994–2006
(Sana, 2010, pg. 804)
**Table 1: Occupations for H-1Bs (Luthra, 2009, pg. 235)**

<table>
<thead>
<tr>
<th>Top-ten recruitment occupations</th>
<th>CPS occupation descriptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer-related (65 per cent computer-systems design and related)</td>
<td>Mathematical and computer scientists, computer programmers, supervisors: computer-equipment operators, chief communications operators, computer-equipment operators, communications-equipment operators, statistical clerks, electrical and electronic repairers</td>
</tr>
<tr>
<td>Architecture, engineering, surveying</td>
<td>Engineers, architects, surveyors, engineering and related technologists and technicians</td>
</tr>
<tr>
<td>Administrative specialisations</td>
<td>Management-related occupations</td>
</tr>
<tr>
<td>Education (67 per cent at college/university level)</td>
<td>Post-secondary teachers, social scientists</td>
</tr>
<tr>
<td>Medicine and health</td>
<td>Managers, medicine and health</td>
</tr>
<tr>
<td>Managers and officials</td>
<td>Management analysts, management-related occupations</td>
</tr>
<tr>
<td>Life sciences</td>
<td>Natural scientists</td>
</tr>
<tr>
<td>Social scientists</td>
<td>(see education)</td>
</tr>
<tr>
<td>Maths and physical scientists</td>
<td>(see life sciences)</td>
</tr>
<tr>
<td>Miscellaneous professional</td>
<td>Management-related occupations, n.e.c. (see managers and officials)</td>
</tr>
<tr>
<td>High-tech occupations</td>
<td></td>
</tr>
<tr>
<td>Mathematical and computer scientists:</td>
<td>Computer-systems analysts and scientists, operations and systems researchers and analysts, actuaries, statisticians, mathematical scientists</td>
</tr>
<tr>
<td>Natural scientists:</td>
<td>Physicists and astronomers, chemists, except biochemists, atmospheric and space scientists, geologists and geodesists, physical scientists, n.e.c.</td>
</tr>
<tr>
<td>Technologists and technicians, except health:</td>
<td>Engineering and related technologists and technicians, industrial-engineering technicians, mechanical-engineering technicians, computer programmers</td>
</tr>
</tbody>
</table>
ASSESSING THE IMPACT OF TRAINING AND MANAGEMENT DEVELOPMENT IN THE NIGERIAN BANKING INDUSTRY

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Abstract

This paper examines the impact of training and management development in Nigeria Banking Industry. Out of 24 banks in Nigeria as at 2011, 7 were randomly selected for this study. A total of 350 questionnaires were administered, out of which 280 were however returned and found suitable for analysis. Using descriptive analysis and inferential statistics such as frequency distribution and Analysis of Variance (ANOVA). The result obtained shows that there is great impact of training and management development on the Nigeria Banking Industry. The result notwithstanding policy measure that would continue to make training and management development relevant in the Nigerian Banking sector was suggested.

1.0 Introduction:

The journey towards a knowledge economy demands the new additional type of competencies like team spirit, cooperation, best practices, goal setting to reach the destination of knowledge economy in high productivity place like bank, the lifelong learning concept should be applied to its workforce.

However, training is one of the most important strategies for organizations to help employees gain proper knowledge and skills need to meet the environmental challenges (Al-Lamki and Salma (2000). Employee training represents a significant expenditure for most organizations. Training too often is viewed tactically rather than strategically. Ripley (2002) states that training should not be regarded as a luxury to be undertaken when time and budget allows, nor is it wise to think of training as a remedial, as a matter of shocking up weak employees or fixing problems. In a successful program, the training units acts not like a group of physicians who minister to organizational ills, but rather as an agent of change. Senior management should recognize that training function has valuable intelligence about employee’s core skills. The training unit, in a successful program, understand the organization strategic direction and can design and implement a creative way of proving people in that direction.
Employees are increasingly demanding change, choice, flexibility, and variety in their work; suggesting that with the de-layering of organization and empowerment of individual employees, the future for both the organization and the individual lies not in the promotion to successively higher levels of management, but rather in developing the value of the individual as human capital. Andrew (2000). The value of human capital is enhanced by acquisition of higher performance potentials such as new tasks, functions and KSAPs (Knowledge, Skills, Abilities, Personal Attributes) (Brethower and Rummler (1979). Training and development has grown concerned not only with helping individual to adequately fill their positions, but also with helping whole organizations and sub-departments grow and develop. Training and Development, though primarily concerned with people, is also concerned with technology, the precise way an organization does business. Training is concerned with the meeting between two inputs to organizational effectiveness, that is, people and technology. Since an organization can rarely secure people who at the time of employment, total masters of their unique requirements, organization need a good training and development program. Training changes uninformed employees to informed employees; training changes un-skilled or semi-skilled workers into employees who can do their assigned tasks in the way the organization want them done; workers who do things in their right way. Isiaka,( 2011).

There may be many reasons why banks invest in training and development for their employees. Therefore, these study focuses on the impact of training and development in the Nigerian Banking Industry.

The rest of the paper is structured as follows, section two provides literature review, section three provides methodology and data source, section four present results and discussion while conclusion and recommendations are contains in the last section.

2.0 LITERATURE REVIEW

Training is an organized programme designed to aid the employee’s performance through the imposition of job skills and knowledge. Failure of most organizations was attributed to lack of employee training and development, as the job remains boring to untrained personnel or employees. Development refers to teaching managers and professionals, the skills needed for both present and future jobs. Training and management development are therefore a mixture of activities aimed at improving the performance of personnel in organizations for the attainment of continuous improvement in productivity. Related to this is the concept of training and the concept of management development which is contain in the next section.

2.1 Concept of Training

Training is an important concept in improving the organization productivity. The more organizations seek excellence, the more employees’ training and development become imminent. Training is usually aimed at solving significant problems as we are suppose to use it as a key requirement for ensuring that any training which takes place is based on proper analysis of its contribution to the effectiveness and efficiency of an organization Isika,( 2011).

Nwanchukwu (1998) sees training as organizational effort aimed at helping an employee to acquire basic skills required for the efficient execution of the function for which it was hired. Cascio and Silbey (1979) in his contribution sees training as consisting of planned programs designed to improved performance at individual, group and/or organizational levels. To Cascio, (2002) improved performance in turn, implies that there have been measurable changes in knowledge, skills, attitude and/or social behavior. According to Aina (1992), he sees training as
the acquisition of the technology which permits employees to perform according to standard. He then sees training as an experience, a discipline as a systematic action which causes people to acquire new skills and knowledge and predetermined behaviors. Banjoko (1996) in his own view, training is an organized procedure by which people learn knowledge or skills for a definite purpose. That is, it is a process for equipping the employee, particularly the non-managerial employees, with specific skills. DeCenzo and Robbins (1996) reiterate that, training is a learning experience in that it seeks a relative permanent change in an individual that will improve the ability to perform a job. They typically say a training can involve the change of skills, knowledge, attitudes, or behavior. To them, it may mean changing what employees know, how they work, or their interaction with their co-workers or supervisors. DeCenzo and Robbins (1996) see training as more present-day oriented, its focus is on individual current job, enhancing those specific skills and abilities to immediately perform their jobs. Dessler et al. (1999) opines that training is the process of teaching employees the knowledge or skills they need to better perform their current jobs. That is training help employees meet the goals of the company as well as their own goals. Dessler (2000) in another view indicates that training refers to the method used in given new or present employees the skills they need to perform their jobs. Riyaz (2004), reiterate that training is “any procedure initiated by an organization to foster learning among organizational members”. Mathis and Jackson (2000) see training as “a process whereby people acquire capabilities to aid in the achievement of organizational goals”. In a related work, Stone (2002) sees training as a “typically emphasize immediate improvement in job performance via the procurement of specific skills”.

2.2 Concept of Management Development

Management development is self development. Management development is concerned with developing the skill of the manager over his or her carrier with the firm. Management development is a dynamic process, and ideas and practices are constantly being challenged. It is only continually rethinking and re-examining management development, provision that standard can be maintained (Isiaka, 2011).

According to Bankajo (1996), ‘Development’ in relation to the process of helping managerial employees who perform non-routine job to improve their management administrative and decision-making abilities and competence. Watad (1999) opines that, management development contributes to business success by helping the organization to grow the managers it requires to meet its present and future needs. It improves managers’ performances, gives them development opportunities and provides for management succession. Aina (1992) in his contribution simply takes development as concerned with preparing the employee so that they can move with the organization as it develops changes and grows.

Nwachukwu (1987) reiterates that management development is a process that get an employee ready for a rise in the organizational hierarchy. What Nwachukwu (1987) terms a rise is simply promotion. Here it should be noted that promotion gives a sense of self-fulfillment and its denial especially when one think one merit it, deflects one’s ego. Every organization should identify and encourage employees who have the potential to contribute their quota in the organization and society as a whole. The implication of Nwachukwu’s assertion is that no organization can continue to survive and grow in our dynamic environment that forget to develop its managerial cadre. According to Udayam (1996), development refers to teaching managers and professionals, the skills needed for both present and future jobs.
Employee development according to DeCenzo and Robbins (1996) by design, is future-oriented and more concerned with education than employee training. By education we mean that employee development activities attempt to instill sound reasoning processes, to enhance one’s ability to understand and interpret knowledge, rather than imparting a body of fact’s or teaching a specific set of motor skills. They therefore, see development as focusing more on the employee’s personal growth.

Successful employees prepared for position of greater responsibility must have analytical human, conceptual, and specialized skills. They should be able to think and understand. Training per se, cannot overcome an individual’s in ability to understand cause and effect relationships, or think logically. As a result, DeCenzo and Robbins (1996), suggest that employee development be permanently an education process rather than a training process.

Management development is divided into two parts- on-the-job and off-the-job. On-the-job is the development of a manager’s ability that takes place on-the-job. Common approaches for the on-the-job are coaching; mentoring; job creation; and job instruction techniques (JIT). Off-the-job takes place outside the normal working post. Common off-the-job approaches include sensitivity training; transactional analysis; lectures; and simulation exercise.

One critical component of employee development considered by DeCenzo and Robbins (1996), is that, all employees, at no matter what level can be developed. To them, historically, development was reserved for potential management personnel. Although it is critical for individual to be trained on specific skills related to managing like planning, organizing, leading, controlling and decision making. Time has taught us that these skills are also needed by non-management personnel. The use of work teams, reductions in supervisory roles allowing workers to participate in the goals of their jobs, and a greater emphasis on quality and customers, have change the way developing employee skill is viewed. Accordingly, organizations now require new employee skill, knowledge and abilities.

3.0 Methodology and data source

A well-structured questionnaire was used to collect the primary data from the employees of the selected banks. Secondary data were sourced from published material such as journals and books. Simple random sampling technique were used in selecting the respondents. In the study a research instrument was developed, prototyped and validated. It was used to assess the impacts of training and management development in an organization particularly in the banking industry. Total sample size for this study is 350 respondents, out of which 280 were however, completed, returned and found suitable for analysis.

Data are presented in the form of table showing frequencies and percentages. Following each table is the descriptive analysis of the findings. Data gathered from the questionnaire were analyzed using frequency distribution and analysis of variance (ANOVA).

The statement of hypothesis for the study are as follows:

H0: Training and management development does not have impact in the banking industry.

H1: Training and management development give positive impact on the growth of banking industry.

4.0 Results and Discussion.

4.1 The results of this study is presented in this section. It presents the frequencies as were applicable to the various section of the data obtained through the questionnaire.

4.2 Respondents Background
Table I to VII showed the distribution of respondents, background information by the banks, names of bank, department, position (rank) and length of service.

Table I, shows the distribution of the respondent by banks.

Table 1: Response Rate Distribution by Bank

<table>
<thead>
<tr>
<th>Bank</th>
<th>Frequency</th>
<th>%</th>
<th>Validity</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Bank</td>
<td>44.6</td>
<td>16.4</td>
<td>16.4</td>
</tr>
<tr>
<td>Union Bank</td>
<td>48</td>
<td>17.1</td>
<td>17.1</td>
</tr>
<tr>
<td>U.B.A</td>
<td>47</td>
<td>16.8</td>
<td>16.8</td>
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<tr>
<td>Diamond</td>
<td>44</td>
<td>15.7</td>
<td>15.7</td>
</tr>
<tr>
<td>Access</td>
<td>49</td>
<td>17.5</td>
<td>17.5</td>
</tr>
<tr>
<td>Eko Bank</td>
<td>29</td>
<td>10.4</td>
<td>10.4</td>
</tr>
<tr>
<td>First Inland Bank</td>
<td>17</td>
<td>6.07</td>
<td>6.07</td>
</tr>
<tr>
<td>Total</td>
<td>280</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Research survey, 2011.

Table II, show the distribution of respondents by departments in the bank.

Table 2: Distribution of Respondents by Departments in Banks

<table>
<thead>
<tr>
<th>Department</th>
<th>Frequency</th>
<th>Percent %</th>
<th>Valid %</th>
<th>Cumulative %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>70</td>
<td>25</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>Customer Service</td>
<td>36</td>
<td>12.8</td>
<td>12.8</td>
<td>38.1</td>
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<tr>
<td>Infotech</td>
<td>6</td>
<td>2.1</td>
<td>2.1</td>
<td>40.2</td>
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<tr>
<td>Operation</td>
<td>88</td>
<td>31.3</td>
<td>31.3</td>
<td>71.5</td>
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<tr>
<td>Chequing</td>
<td>3</td>
<td>1.1</td>
<td>1.1</td>
<td>72.6</td>
</tr>
<tr>
<td>Teller</td>
<td>5</td>
<td>1.8</td>
<td>1.8</td>
<td>74.4</td>
</tr>
<tr>
<td>Transaction Service Unit</td>
<td>8</td>
<td>2.8</td>
<td>2.8</td>
<td>77.2</td>
</tr>
<tr>
<td>Clearing</td>
<td>18</td>
<td>6.4</td>
<td>6.4</td>
<td>83.6</td>
</tr>
<tr>
<td>Technical Service</td>
<td>9</td>
<td>3.2</td>
<td>3.2</td>
<td>86.8</td>
</tr>
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<td>Retailing Marketing</td>
<td>35</td>
<td>12.5</td>
<td>12.5</td>
<td>99.3</td>
</tr>
<tr>
<td>Audit &amp; Complaint</td>
<td>2</td>
<td>0.7</td>
<td>0.7</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>280</td>
<td>100</td>
<td></td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Survey 2011.

Table 3: Gender of the Respondents

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent %</th>
<th>Valid %</th>
<th>Cumulative %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>160</td>
<td>57.1</td>
<td>57.1</td>
<td>57.1</td>
</tr>
<tr>
<td>Female</td>
<td>120</td>
<td>42.9</td>
<td>42.9</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>280</td>
<td>100</td>
<td></td>
<td>100</td>
</tr>
</tbody>
</table>

Sources: Survey 2011.

Table III, shows that out of the 280 respondents, 160 (57.1%) are males while 120 (42.9%) are females, which means we have more male respondents than female.

Table 4: Ages of the Respondents
Table IV, indicate that out of 280 respondents 188 (67.1%) are within the range of 20-30 yrs; 80 (28.5%) are within the range of 41-50 years.

Table 5: Position (Rank) of the Respondents.

<table>
<thead>
<tr>
<th>Position (Rank)</th>
<th>Frequency</th>
<th>Percent %</th>
<th>Valid %</th>
<th>Cumulative %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top level Mgmt.</td>
<td>4</td>
<td>1.43</td>
<td>1.43</td>
<td>1.43</td>
</tr>
<tr>
<td>Middle level Mgmt.</td>
<td>150</td>
<td>53.6</td>
<td>53.6</td>
<td>55</td>
</tr>
<tr>
<td>Supervisory</td>
<td>84</td>
<td>30</td>
<td>30</td>
<td>85</td>
</tr>
<tr>
<td>Others</td>
<td>42</td>
<td>15</td>
<td>15</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>280</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Survey 2011

Table V, shows the position of the respondents, 150 (53.6%) of the respondents are middle level management staff. This indicates that the remaining 84 (30.0%) are the supervisory staff.

Table 6: Educational Qualification of the Respondents

<table>
<thead>
<tr>
<th>Qualification</th>
<th>Frequency</th>
<th>%</th>
<th>Valid %</th>
<th>Cumulative %</th>
</tr>
</thead>
<tbody>
<tr>
<td>OND</td>
<td>53</td>
<td>18.9</td>
<td>18.9</td>
<td>18.9</td>
</tr>
<tr>
<td>B.SC/BA/HND</td>
<td>185</td>
<td>66.07</td>
<td>66.07</td>
<td>85</td>
</tr>
<tr>
<td>M.SC/M.A/MPA</td>
<td>39</td>
<td>13.9</td>
<td>13.9</td>
<td>98.9</td>
</tr>
<tr>
<td>Ph.D</td>
<td>2</td>
<td>0.71</td>
<td>0.71</td>
<td>99.6</td>
</tr>
<tr>
<td>Others</td>
<td>1</td>
<td>0.36</td>
<td>0.36</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>280</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Survey 2011

Table VI, shows the educational qualification of the respondents, which indicate that out of 280 respondents, 185 (66.02%) have atleast first degree or HND.

Table 7: Years Spent with the Bank by Respondents

<table>
<thead>
<tr>
<th>Years in the Bank</th>
<th>Frequency</th>
<th>%</th>
<th>Valid %</th>
<th>Cumulative %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 yr</td>
<td>63</td>
<td>22.5</td>
<td>22.5</td>
<td>22.5</td>
</tr>
<tr>
<td>1 – 5 yrs</td>
<td>117</td>
<td>41.2</td>
<td>41.2</td>
<td>64.3</td>
</tr>
<tr>
<td>5 yrs and above</td>
<td>100</td>
<td>35.7</td>
<td>35.7</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>280</td>
<td>100</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Survey 2011.

Table VII, indicates the year spent in the bank by the respondents. The experience here is that out of 280 respondents, 117 (41.8%) have spent between 1 year to 5 years with the bank. 100 (35.7%) have also spent between 5 years and above.

Hypothesis Testing
Hypothesis 1: \( H_0 \) says training and management does not have impact in the banking industry.

The evidence on this is shown in table 9, and documentary evidence from the selected banks, that training and management development have positive impact in the banking industry.

The F-value calculated 7.212 is greater than the table value of 2.12 at (0.05 level of freedom).

The ANOVA test result reveals that training and management development have positive impact in the banking industry.

Hypothesis 2: \( H_1 \):

Training and management development give positive impact on the growth of banking industry.

The descriptive statistics in table 9, established that training and development have positive impact on the growth of banking industry on the following area: productivity, new technology, staff request, new hire request, moral duty, and responding to skills deficiencies.

**Table 8:** ANOVA Table on training and management development as important factors

<table>
<thead>
<tr>
<th>Source</th>
<th>Sum of square</th>
<th>DF</th>
<th>Mean square</th>
<th>F</th>
<th>Significant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between group</td>
<td>56.163</td>
<td>7</td>
<td>8.023</td>
<td>7.312</td>
<td>0.000</td>
</tr>
<tr>
<td>Within group</td>
<td>222.819</td>
<td>203</td>
<td>1.087</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>278.982</td>
<td>210</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: Survey 2011.

Significant at 0.05

Degree of freedom is calculated as follows;

Total (211-1) = 210, Between groups (8-1) = 7, within groups (210-7) = 203

The F-value is calculated by dividing the between groups mean square (8.023) by the within groups mean square (1.087) i.e. \( \frac{8.023}{1.087} = 7.381 \)

When inspecting a table of F-distribution, we look up degrees in the numerator (here is 70 and denominator (203) then find the value as 2.01 table value.

**Table 9:**

What impact does training and management development has in your Bank? Productivity, New Technology, Staff Request, New Hire Request, Moral Duty, and Respondent to skills deficiency.

<table>
<thead>
<tr>
<th></th>
<th>Productivity</th>
<th>New Technology</th>
<th>Staff Request</th>
<th>New Hire Request</th>
<th>Moral Duty</th>
<th>Response to Skill Def.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>P</td>
<td>F</td>
<td>P</td>
<td>F</td>
<td>P</td>
</tr>
<tr>
<td>NO</td>
<td>7</td>
<td>2.5</td>
<td>5</td>
<td>1.8</td>
<td>22</td>
<td>7.8</td>
</tr>
<tr>
<td>YES</td>
<td>273</td>
<td>97.5</td>
<td>275</td>
<td>98.2</td>
<td>258</td>
<td>92.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>280</td>
<td>100.5</td>
<td>280</td>
<td>100.5</td>
<td>280</td>
<td>100.5</td>
</tr>
</tbody>
</table>

Key: \( F = \) frequency \( P = \) percentage

Sources: Survey 2011.

The above are ranked as follows:
1. 1st New Technology 98.2%
2. 2nd Productivity 97.5%
3. 3rd Respondent to Skill Deficiency 97.5%
4. 4th Moral Duty 97.2%
5. 5th New Hire Request 96.1%
6. 6th Staff Request 92.2%

5.0 Conclusion and Recommendation

Human resource management is meant “to integrate all personal activities with each other and strategically with organizational objectives”. Essentially, it first serve the organizational interest and in that context, “it is an investment rather than a cost to the organization”. The utilization of all other resource directly depends on efficient utilization of human resources. Every organization needs to have well trained and experienced people to perform the activities that have to be done.

However, training and management development could be seen as a mixture of activities aimed at improving the performance of personnel in organizations for the attainment of continuous improvement in productivity. Despite the results from this study, the following are recommended:

- Human Resource Department should care for appropriate response in equipping people who have to perform in new environment.
- Banks should take necessary steps in such a way that employees should feel training is essential to enhance the productivity and customer satisfaction to meet the present business challenges.
- Training should be seen as where skills are developed, attitudes are changed, ideas evolve and organization is reinvented.
- Training and management development should be seen as vital issues to both employees and employers.
References


Cascio W.F. and Sibley, V. (1999), Utility of Assesment Center as a selection device. Journal of Applied Psychology. 64, 107-118


Dessley G, Lloyd-Walker, B & Williams A. (1999), Human Resource Management (Australia and New Zealand), Sydney Pretice Hall. P. 349


